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United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2013

and

Report of the Board of Auditors

United Nations • New York, 2014

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letter dated 30 April 2014 from the Executive Director of the United Nations Population Fund addressed to the Chair of the Board of Auditors

Pursuant to financial rule 115.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year ended 31 December 2013.

(*Signed*) Dr. Babatunde **Osotimehin**
Executive Director

Letter dated 30 June 2014 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Population Fund for the year ended 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Population Fund (UNFPA) for the year ended 31 December 2013, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the cash flow statement (statement IV) and the statement of comparison of budget to actual amounts (statement V) for the year ended 31 December 2013 and the supporting statements and explanatory notes.

Management's responsibility for the financial statements

The Executive Director is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as is deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements on the basis of our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Population Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of UNFPA that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of UNFPA and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and Regulation 16.1 of the Financial Regulations and Rules of UNFPA (UNFPA/FIN/REG/Rev.10) effective 1 July 2014 and the related annex thereto, we have also issued a long-form report on our audit of UNFPA.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania
Lead Auditor

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of UNFPA for the year ended 31 December 2013. The audit was carried out through visits to country offices in Bangladesh, Ghana, Indonesia, Malawi and Zambia and to the Caribbean Subregional Office in Jamaica, as well as through the review of the financial transactions and operations at headquarters in New York.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements of UNFPA for the year ended 31 December 2013. The opinion of the Board is reflected in chapter I of the present report.

Overall conclusion

The Board found no significant errors, omissions or misstatements that might affect its opinion on the UNFPA financial statements. The Board noted that UNFPA is in good financial health, although there is scope for improvement in some areas, specifically, the need to: improve the management and monitoring of implementing partners; enhance its inventory management; and improve its oversight and performance evaluation of the restructured subregional offices and the field sub-offices.

In addition, it is necessary for UNFPA to enhance the pace of its implementation of the previous Board recommendations (24 per cent remain outstanding), including improving the assessment of vendor performance in the field and addressing recommendations that have been recurring for a number of years, such as the inappropriate use of service contracts and special service agreements.

Key findings

The Board identified a number of issues that require active consideration by management, in particular:

(a) *Governance, accountability and business transformation*

The Board reviewed the process of the restructuring of UNFPA country offices, comprising regionalization in the organization of the Caribbean Subregional Office in Jamaica, decentralization in Ghana and the establishment of sub-offices in Zambia.

The Board noted that UNFPA assigned oversight responsibilities to focal points to ensure continued support of decentralized offices, but it also noted deficiencies, including a lack of clarity about the extent of oversight that focal points were expected to exert over decentralized offices. Furthermore, there was no systematic monitoring of whether focal points had achieved their intended objectives.

The Board is concerned that these deficiencies in oversight and management will hinder efforts to strengthen the effectiveness of the UNFPA field offices.

(b) Use of implementing partners

UNFPA is one of the United Nations organizations that uses the harmonized approach to cash transfers to implementing partners. In 2012 UNFPA introduced an implementing partner capacity assessment tool because the harmonized approach covers only the procurement and financial management systems. The assessment tool has wider parameters for assessing implementing partners, including their expertise in capacity-building.

From the review of 112 implementing partners at four country offices, the Board found that 85 implementing partners (76 per cent) were not assessed using the implementing partner capacity assessment tool. The implementing partners were assessed using the harmonized approach to cash transfers, which did not assess other important areas such as governance and leadership, human resources, programme management, knowledge management, partnership or monitoring and evaluation procedures.

The Board is concerned that the partial assessment increases the risk of engaging implementing partners with inadequate capacity to discharge the core mandate of UNFPA.

(c) Human resources management

The Board found that, as at 30 November 2013, the vacancy rate in the country offices was 15 per cent (2012: 14 per cent). UNFPA had 417 vacant posts, of which 287 posts (69 per cent) were in country offices. Many of the vacant posts are critical to the successful implementation of project activities at country offices, including key personnel such as country representatives, assistant representatives, international operations managers, programme analysts and technical specialists. There have been delays of between one to seven months in filling these vacancies, and the Board noted that the recruitment process, from the advertisement date to the date of appointment, took, in most cases, more than six months, against the UNFPA target of four months.

Such long vacancy periods for key posts undermines the Fund's effective coordination and oversight of field offices activities.

(d) Procurement and contract management

The Board reviewed procurements involving 1,758 purchase orders with individual values below $50,000 in respect of goods and services from two country offices and found that the performance of the suppliers had not been evaluated although their contracts had been completed. The procurement policy and procedure manual encourages the performance evaluation of such suppliers.

The current procedure for monitoring the assessment of vendors is inadequate and should be strengthened to ensure continuous monitoring and evaluation of suppliers, including: assessing prices and quality of goods and services rendered; the timeliness of delivery; after-sales service; and general cooperation.

(e) Inventory management

UNFPA has made significant progress in establishing inventory balances held at field offices through the use of a new inventory management system, although the

new system is underutilized as some focal points lack the skills to produce system reports showing the value of inventory held by the country offices.

Recommendations

The Board has made a number of detailed recommendations based on its audit that are contained in the body of the report. The main recommendations, organized by area of concern, are that UNFPA:

Governance, accountability and business transformation

(a) **(i) Align the operations of the decentralized offices to cover assessment of the sub-offices to ensure they are in compliance with the requirements of the UNFPA guidelines for decentralized offices; (ii) establish clear descriptions of roles and responsibilities between country offices and decentralized offices; and (iii) improve the staffing of the offices and set performance targets, systematic monitoring and assessment criteria for focal points to ensure the quality and timely delivery of the assigned responsibilities;**

Use of implementing partners

(b) **Consider harmonizing the implementing partner capacity assessment tool and the harmonized approach to cash transfers to improve the overall assessment of implementing partners;**

Human resources management

(c) **Ensure there is adequate representation in the coordination and oversight of the activities of the field offices by filling long outstanding vacant posts on an urgent basis in order to ensure that UNFPA has sufficient human resources to achieve its programme objectives;**

Procurement and contract management

(d) **Make proper use of established monitoring tools for vendor assessment and ensure that country offices evaluate the performance of the suppliers of goods and services with contracts below $50,000 in order to identify areas for improvement;**

Inventory management

(e) **Identify the training needs of the users of the inventory management system and improve their skills for the better management of inventory and reporting.**

A. Mandate, scope and methodology

1. The United Nations Population Fund is an international development agency that promotes the right of every woman, man and child to enjoy a life of health and equal opportunity. It supports countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS and every girl and woman is treated with dignity and respect.

2. The Board of Auditors has audited the financial statements of UNFPA and reviewed its operations for the financial year ended 31 December 2013 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. The standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2013 and the financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses have been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The audit was carried out through field visits to country offices in Bangladesh, Ghana, Indonesia, Malawi and Zambia and to the Caribbean Subregional Office in Jamaica, as well as a review of the financial transactions and operations at headquarters in New York.

5. In addition to the audit of the financial statements, the Board carried out reviews of UNFPA operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, focusing on: procurement and contract management; governance; accountability and business transformation; human resources management; and the use of implementing partners.

6. The Board coordinates with the Division for Oversight Services in the planning of its audits to avoid duplication of efforts and to determine the reliability of the latter's work.

B. Findings and recommendations

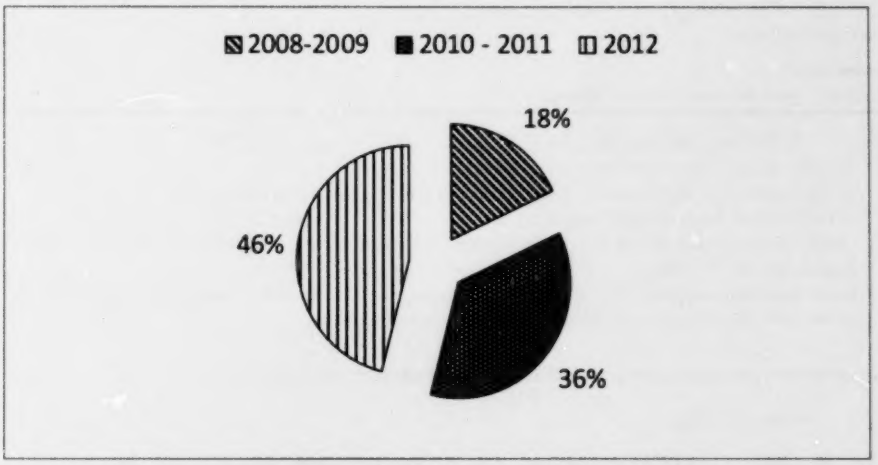
1. Follow-up of previous audit recommendations

7. Of the 45 recommendations made by the Board in 2012, 34 recommendations (76 per cent) were fully implemented, while 11 (24 per cent) were still under implementation. Further details are set out in the annex to the present report.

8. The Board evaluated the 11 recommendations that were still under implementation and noted that two (18 per cent) were related to the period 2008-2009, four (36 per cent) to the period 2010-2011 and five (46 per cent) to the financial year ended 31 December 2012. An analysis of the ageing of the recommendations of the Board is shown in the figure below.

9. The Board is concerned about the slow pace of implementation of UNFPA recommendations relating to the non-assessment of vendor performance in the field, as well as about those which have been recurring over a number of years, such as those on the use of service contracts and special service agreements inconsistent with the UNFPA policy of service contracts and special service agreements.

Figure
Ageing of the recommendations of the Board under implementation
(Percentage)



Source: UNFPA financial statements for the period ended 31 December 2013.

2. Financial overview

Operating results

10. For the year under review, UNFPA reported total revenue of $976.7 million and total expenses of $913.3 million, representing a surplus of $63.4 million. Total revenue has slightly decreased by 1.2 per cent, or $11.6 million, from 2012 ($988.3 million) to 2013 ($976.7 million). The decrease in total revenue during the year under review is attributed to a decrease in earmarked contributions. On the other hand, expenses increased by 9.9 per cent, or $82.1 million, from $831.2 million in 2012 to $913.3 million in 2013, reflecting a growth of UNFPA's programme activities.

11. Other resources of $470.6 million (2012: $503.1 million) represent 48 per cent of the revenue, reflecting the fact that UNFPA activities continue to be predominantly earmarked and executed on the basis of specific donor requirements.

Ratio analysis

12. An analysis of the Fund's main financial ratios shows that it had good liquidity ratios in 2013, consistent with 2012, and enough to cover maturing obligations without disposing of its non-current assets (see table below).

Table
Analysis of UNFPA financial ratios

Description of ratio	*31 December 2013*	*31 December 2012*
Total assets: total liabilities[a]		
Assets: liabilities	2.9	2.2
Current ratio[b]		
Current assets: current liabilities	4.6	2.8
Quick ratio[c]		
Cash plus investments plus accounts receivable: Current liabilities	4.2	2.6
Cash ratio[d]		
Cash plus investments: current liabilities	0.7	1.3

Source: UNFPA financial statements for the period ended 31 December 2013.

[a] A high ratio is a good indicator of solvency.

[b] A high ratio indicates an entity's ability to pay off its short-term obligations.

[c] Quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] Cash ratio indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds in current assets to cover current liabilities.

3. Governance, accountability and business transformation process

UNFPA restructuring

13. In 2007, UNFPA embarked on a restructuring process by establishing decentralized subregional and country offices. The objectives of restructuring included the search for innovative approaches to reach certain groups, generally the most remote and vulnerable in cases where the size and geographical location of the country is challenging.

14. The Board reviewed the related activities at the Caribbean Subregional Office in Jamaica from July 2008; in Tamale-Ghana from 2012; and in Zambia from March 2003. The Board noted the following obstacles to the restructuring which threaten the achievement of its objectives:

(a) UNFPA assigned oversight responsibilities to some of its officers in the subregional/country offices as focal points for the decentralized offices, but the appointed focal officers did not perform their oversight roles. For example, in one country office the Board found that the responsibilities of the focal point were assigned to the Deputy Country Representative who was preoccupied with other competing routine leadership/strategic responsibilities;

(b) The existing UNFPA guidelines for decentralized offices did not clearly define what support and oversight the focal points should provide to decentralized offices. Also there is no defined mechanism for systematic monitoring of whether

focal points have achieved their intended goals. Therefore, due to the lack of clear responsibilities, each focal point determines their own roles and there is no reliable basis for a robust performance assessment;

(c) Two sub-offices were established in Zambia without any proof of business case documents to support the need for their establishment, the costs involved, the structure or the roles and responsibilities of the sub-offices, contrary to the requirements of UNFPA's guidelines for decentralized offices;

(d) One sub-office in Ghana was understaffed: three of the five established posts were vacant and the recruitment process had not yet started. Moreover 14 staff, including the heads of sub-offices in Ghana, were under service contract agreements, contrary to the UNFPA guidelines for decentralized offices. Paragraph 12 of the guidelines, states that:

> "the decentralized office is expected to be fully integrated into the structure of the country office and is ideally headed by a UNFPA staff member. Where the decentralized office will not be headed by a UNFPA staff member, this should be clearly stated in the business case".

In addition, in paragraph 39 of the guidelines it is recommended that at least the programme/technical staff should hold a fixed-term contract (international or national officer);

(e) The two sub-offices in Zambia were operating as project offices under the Government and not under the full control of the UNFPA country office. This arrangement, which is inconsistent with the UNFPA guidelines for decentralized offices, also implies that UNFPA left its role of monitoring and supervising the two sub-offices to the host Government.

15. The Board is concerned that the deficiencies in the oversight and management negatively impact the objectives of enhancing the effectiveness of its sub-offices.

16. **UNFPA agreed with the Board recommendation to: (a) align the operations of the decentralized offices to cover assessment of the sub-offices to ensure they are in compliance with the requirements of the UNFPA guidelines for decentralized offices; (b) establish clear descriptions of roles and responsibilities between country offices and decentralized offices; and (c) improve the staffing of the offices and set performance targets, systematic monitoring and assessment criteria for focal points to ensure the quality and timely delivery of the assigned responsibilities.**

4. Selecting, monitoring and auditing implementing partners

Background

17. In 2013, UNFPA entered into 1,597 implementing partner agreements to help deliver its mandate through field programmes and projects. The Fund reported expenses related to such agreements of $221.5 million (24 per cent of UNFPA total expenses). The Board reviewed UNFPA procedures for selecting, assessing and monitoring its partners to ascertain the adequacy of the procedures to manage risks of non-performance, errors and fraud.

Assessment of implementing partners

18. UNFPA is one of the United Nations entities using the harmonized approach to cash transfers in assessing its implementing partners in the areas of procurement systems and financial management. In 2012, UNFPA introduced a broader assessment tool, the implementing partner capacity assessment tool, as it considered that the harmonized approach was not sufficient for assessing implementing partners. The capacity assessment tool has wider parameters for assessing implementing partners, including their expertise in capacity-building.

19. From the review of 112 implementing partners at the four country offices, the Board found that 85 implementing partners (76 per cent) were not assessed using the implementing partner capacity assessment tool, but only using the harmonized approach to cash transfers, which does not cover important areas such as governance and leadership, human resources, programme management, knowledge management, partnership or monitoring and evaluation procedures, thus increasing the risk of engaging partners with inadequate capacity to discharge the Fund's core mandate.

20. UNFPA informed the Board that, in 2014, it plans to monitor compliance through the use of an online implementing partner capacity assessment tool application. The launch of this online tool would be accompanied by awareness campaigns and training initiatives at the field offices.

21. **UNFPA agreed with the Board's recommendation to consider harmonizing the implementing partner capacity assessment tool and the harmonized approach to cash transfers to improve the assessment of implementing partners.**

Delays in signing annual workplans

22. The Board noted significant delays in signing annual workplans with implementing partners. In the 58 agreements reviewed in the field offices of the Caribbean Subregional Office in Jamaica, and in field offices in Bangladesh and Ghana, annual workplans for 26 implementing partners (45 per cent) were signed between four and nine months after the scheduled implementation dates. These delays led to the late disbursement of funds to partners in the second and third quarters rather than at the beginning of the year, and hence to delays in the implementation of programmes and projects within the targeted time.

23. UNFPA attributed the delays in signing the annual workplans to bureaucratic approval procedures of some of the partner Governments in signing the funding authorization and certificate of expenditure forms. UNFPA also attributed the delays to the lack of capacity of implementing partners to complete the previous cycle of activities before signing new annual workplans and to high staff turnover.

24. The Board is concerned that the implementing partners selection process should have mitigated the risks of partnering with such implementing partners and determining an appropriate funds disbursement modality that would avoid unnecessary delays in the implementation of the programmes and projects.

25. **The Board recommends that UNFPA agree, along with the implementing partners, to abide by the terms of their engagement and ensure the signing of annual workplans is completed in advance of the implementation of any new projects.**

5. Human resources management

Vacant posts

26. The Board found that as at 30 November 2013 the vacancy rate in the country offices was 15 per cent (2012: 14 per cent). UNFPA had 417 vacant posts, of which 287 posts (69 per cent) were in country offices. Many of the vacant posts were critical to the successful implementation of project activities at country offices because they involved key personnel such as country representatives, assistant representatives, international operations managers, programme analysts and technical specialists.

27. There have been delays of between one to seven months in filling these posts. For example, for two out of five reviewed recruitments in one country office, the process from advertisement date to the appointment date took more than six months, a time span which is inconsistent with the UNFPA recruitment target of four months.

28. UNFPA informed the Board that some posts are kept vacant intentionally in order to adjust to upcoming changes in office structure owing to the introduction of a new strategic plan and accompanying business model, which call for a reconfiguration of many country offices.

29. The Board is concerned that the long vacancy periods for the posts of key staff undermine the Fund's staffing goals, which call for adequate representation in the coordination and oversight of the activities of the field offices.

30. **UNFPA agreed with the recommendation of the Board to ensure there is adequate representation in the coordination and oversight of the activities of the field offices by filling the long-outstanding vacant posts on an urgent basis in order to achieve the Fund's programme objectives more efficiently and effectively.**

6. Management of consultants, experts and temporary assistance

The use of service contracts and special service agreements

31. UNFPA used consultants, experts and temporary assistance in country offices on service contracts, involving a total of $4.6 million, but the Board noted the following deficiencies:

(a) Nine out of 50 staff recruited in four field offices under service contracts were performing core functions of operations support, senior technical officer and administration and finance assistant, all of which are permanent posts, a practice that is contrary to the UNFPA recruitment guidelines, which specify that staff under service contracts should be recruited for a duration of not more than one year, and for non-core functions only;

(b) Three out of nine contract holders in one country office were hired for more than 12 months, contrary to the service contract user guide, which requires service contracts to be issued for a minimum period of 6 months, renewable, but not for more than 12 months at a time;

(c) UNFPA has developed a web-based system for management control, monitoring and reporting on field offices special service agreements and service contracts. However, this was not being used at all six field offices visited by the Board owing to configuration deficiencies, including an inability to generate the

correct reports when and as needed and input data summary snapshots that were not properly configured in the system;

(d) Also from a review of 25 special service agreements and service contracts in three field offices, the Board found that nine evaluations were performed one to two months after the expiration of the prescribed periods while five evaluations had not been performed at all. This was inconsistent with UNFPA guidelines for service contracts, which require that performance evaluation for service contracts be done two months prior to their expiration, as well as justification for extensions under section VII of the service evaluation form. The user guidelines for special service agreements also require that the agreements be evaluated before the payment of fees.

32. UNFPA informed the Board that staff under service contracts were needed to cope with the increased workload because the number of staff on fixed-term appointment is low in relation to the programme requirements.

33. The Board considers that the continued use of service contracts to perform core functions undermines the development of reliable internal capacity to perform routine work. The failure to assess special service agreements and service contracts performance may lead to the retention of underperforming personnel.

34. **UNFPA agreed with the recommendation of the Board that it adhere to the recruitment guide by: (a) ensuring that hiring of service-contract holders is not used as a substitute to the recruitment of fixed-term officers; (b) whenever service-contract holders are hired the length of their contracts should not exceed the contract periods stipulated in the service contract user guide; and (c) reconfigure the web-based tool to improve the monitoring and evaluation of the performance of special service agreements and service contracts in a timely manner.**

7. Procurement and contract management

Evaluation of vendors

35. In its previous report for the biennium ended 31 December 2011 (A/67/5/Add.7, paras. 88-91), the Board noted deficiencies in supplier assessments at country offices and recommended that UNFPA comply with its policies and procedures regarding the evaluation of supplier performance.

36. In 2013, the Board noted that two country offices with 1,758 purchase orders did not assess the performance of the suppliers of goods and services for completed contracts with values below $50,000. In paragraph 13.2 of the policy and procedures manual for procurement performance evaluation of such vendors is encouraged.

37. The Board is concerned that current monitoring of vendor's assessments remains inadequate, and that UNFPA needs to strengthen the monitoring and evaluation of suppliers by assessing prices and the quality of goods and services rendered, the timeliness of delivery, after-sales service and general cooperation.

38. UNFPA informed the Board that, in order to ensure information is accurate and that vendors are evaluated on a regular basis, the supplier database was currently being updated. The Procurement Service Branch monitors activity at country offices and headquarters with regard to the mandatory requirement of vendor performance

of evaluation using the updated reporting tool application developed for this purpose.

39. **The Board recommends that UNFPA make proper use of the established monitoring tool for vendor assessment and ensure that country offices evaluate the performance of the suppliers of goods and services with contracts below $50,000 in order to identify deficiencies that require improvement.**

Establishment of long-term agreements for regular services

40. Long-term agreements enable UNFPA to order goods or services from the awarded supplier according to pre-established terms and conditions at fixed prices, quality levels, ordering methods and lead times for a defined period of time. There is no legal obligation to order any minimum or maximum quantities. Moreover, long-term agreements are often designed to provide immediate stock availability in case of emergencies.

41. The Board found that three field offices spent a total of $1 million (or 14 per cent) of their total operating expenses on the procurement of goods and services, including maintenance of motor vehicles, hotel accommodation, printing and publications, and transport and communications. While, according to part 11.4 of UNFPA procurement procedures, the procurement of such services utilized on a regular basis are supposed to be done through long-term agreements, the respective field offices had signed no such agreements.

42. UNFPA informed the Board that an action plan had been developed, including guidance for field offices, on establishing long-term agreements for regularly procured goods and services. The Procurement Services Branch is also arranging formal organization-wide training to institutionalize best procurement practices.

43. While acknowledging UNFPA initiatives, the Board considers that the absence of long-term agreements denies UNFPA an opportunity to benefit from economies of scale, value for money and improved relations with suppliers.

44. **UNFPA agreed with the recommendation of the Board that it collaborate with other United Nations agencies to establish long-term agreements with suppliers for services utilized by the field offices on a regular basis.**

8. Inventory management

45. In its previous report (A/68/5/Add.7, paras. 35-40), the Board recommended that UNFPA ensure the appropriate use of the new inventory management system module (Channel) at its field offices in order, inter alia, to increase the reliability of inventory balances presented in the financial statements. UNFPA has made significant progress in determining the inventory held in the field offices through the use of the Channel module, although some focal points lack the skills to produce system reports showing the value of inventory held by the country offices at any point in time. The under-utilization of the inventory management system undermines the value of the investment in Channel.

46. UNFPA informed the Board that inventory focal points in field offices are still learning and acquiring the technical skills to effectively use the system.

47. **UNFPA agreed with the recommendation of the Board that the training needs of the users of the inventory management system be identified in order to improve their skills for the better management of inventory and reporting.**

9. Funding of employment benefits liabilities

48. In response to the Board's previous recommendation (A/68/5/Add.7, paras. 30-34) that it minimize the unfunded employee benefit liabilities, UNFPA has implemented a five-year plan that identifies three sources of funding: (a) interest earned from investments of existing funding; (b) percentage-based surcharges applied to payroll cost; and (c) discretionary transfers from fund balances available at year end.

49. The Board noted that, for the year ended 31 December 2013, the unfunded employment benefits liability decreased by $35.8 million, to $102.1 million, mainly due to $21.8 million in additional funding through the established funding plan and an actuarial gain from the increase in the discount rate to 5.01 per cent (2012: 4.0 per cent).

50. **UNFPA agreed with the Board's recommendation that it continue enhancing its efforts to bridge the funding gap in the outstanding liabilities in employee benefits within the proposed time schedule.**

10. Internal audit and oversight

51. UNFPA's Division for Oversight Services is responsible for: (a) the review of the effectiveness of the governance, risk management and internal control processes and economic and efficient use of resources; and (b) the investigation of allegations of violations of applicable regulations, rules and administrative or policy pronouncements.

Implementation of internal audit recommendations

52. As at 31 December 2013, some 123 internal audit recommendations were still open: 91 (74 per cent) pertaining to country offices and 32 (26 per cent) to headquarters units and corporate processes. Out of 123 recommendations, 6 (5 per cent) were issued in 2008-2010; 27 (22 per cent) were issued in 2011; 8 (7 per cent) were issued in 2012 while the remaining 82 recommendations (67 per cent) were issued in 2013. Of the total 123 open recommendations, 41 (33 per cent) remained unresolved for more than 18 months based on the 31 December 2013 assessment.

53. The Board is concerned that half of the outstanding recommendations were of high priority and that the pace of implementation was slow. UNFPA urgently needs to address both the pace of implementation and the deficiencies that the recommendations aimed to address. Specific attention should be focused on recommendations concerning: organizational structure and staffing; programme planning, implementation and monitoring; national execution; inventory management; and resources and procurement management.

54. **The Board recommends that UNFPA ascertain the reasons for the slow rate of implementation of internal audit recommendations and more effectively track and report on progress to senior management.**

Risk assessment by the Division for Oversight Services

55. The 2013 internal audit workplan indicated that high-risk business units were audited over a 9-year cycle and medium- and low-risk business units over a 17-year cycle. The 2014-2017 budget increased resources for internal audit and created two posts to reduce the high-risk and the medium-risk audit cycles to 5 and 10 years, respectively. The assurance for low-risk business units will be provided through continuous auditing based on significant financial transactions of audited units. Corporate processes will be covered over a 15-year cycle, including feedback and assurance of the effectiveness of several of those processes provided through business unit audits.

56. The Board acknowledges the improved internal audit coverage plan in 2014 but considers that 5-year and 10-year audit cycles are still too low compared to other United Nations agencies with similar global operations whose audit cycles range from 2 to 5 years for high- and medium-risk country offices.

57. UNFPA informed the Board that it is proposing to undertake a study to compare the audit resources of agencies in terms of percentage of the total volume of transactions/programme resources. Similarly, a comparison is to be made between the proportion of high-, medium- and low-risk business units among these agencies.

58. **The Board recommends that UNFPA determine the levels of assurance appropriate for business units ranked as being high- and medium-risk and empower its internal audit with resources, as appropriate, to adapt its audit cycles to the chosen assurance level.**

C. Disclosures by management

59. UNFPA made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud.

1. Write-offs of contributions receivable, operating funds advances and other assets

60. UNFPA informed the Board that it has formally written off losses amounting to $426,494 in respect of contributions receivable, unsupported national execution expenditures, operating fund advances and other assets.

2. Ex gratia payments

61. UNFPA reported ex gratia payments for the period under review amounting to $75,000 made to staff who were seconded by their respective Governments to the UNFPA country offices in China and the Democratic People's Republic of Korea and who did not accrue pension rights.

3. Cases of fraud and presumptive fraud

62. UNFPA notified the Board of two cases of alleged fraud that which were brought to the attention of management as a result of the information provided by country offices:

(a) Submission for security reimbursement without appropriate supporting documents: the original claim was for approximately $20,000 but no payment was made and therefore there is no cost to UNFPA;

(b) Use of outstanding funds from an official reception to purchase personal meals.

D. Acknowledgement

63. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and members of his staff.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom of
Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania
(Lead auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Annex

Status of implementation of recommendations of the Board of Auditors for the year ended 31 December 2012[a]

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*
1. Consider revision to the separation processes	50	2006-2007	X	
2. Monitor and follow up on accounts payable	58	2006-2007	X	
3. Follow up on long-outstanding operating fund advances in a timely manner and ensure that funds advances are utilized for intended purposes	197	2006-2007	X	
4. Advise suppliers and requisitioners of the importance of utilizing the online tracking system effectively in monitoring the status of order lead times, quality of goods delivered and evaluating suppliers, while the online tracking system is still in use	379	2006-2007	X	
5. Review the process of global payroll services	53	2008-2009	X	
6. Take appropriate measures to ensure the validity, accuracy and completeness of the data used in the computation of all post-retirement and end-of-service liabilities in future financial periods by ensuring that the information pertains to the correct reporting period	90	2008-2009	X	
7. In conjunction with the United Nations Development Programme (UNDP), ensure that payments made to staff through payroll are reflected in staff advances in the general ledger in a timely manner	114	2008-2009	X	
8. UNFPA Nigeria country office to comply with rule 114.4 (c) of the UNFPA Financial Regulations and Rules with regard to payments made with no obligating documents	215	2008-2009		X
9. Ensure that all country offices submit asset certifications in a timely manner in compliance with the UNFPA asset management policy	256	2008-2009	X	
10. Update the asset management module in the Atlas system with the correct location information for each asset in compliance with the asset management policy	262	2008-2009		X
11. Strengthen asset management controls in the field either through: (a) reviewing its guidance available to country offices; or (b) training in asset management. Its initiatives should focus on timely submission of asset certifications; improvements in asset identification and recording, and inventory count procedures	267	2008-2009	X	
12. (a) Take steps to ensure that leave transactions for international staff based in the country offices are recorded in the system; and (b) implement procedures/processes to enable it to accurately compute the leave pay provision in financial statements	309	2008-2009	X	
13. Roll out inventory management system to country offices	25	2010-2011	X	
14. (a) Clear all long-standing amounts from staff education grants; (b) regularly reconcile the accounts to comply with information circular; and (c) consider a revision to the separation process to ensure that outstanding education grants are recovered from staff prior to separation	33	2010-2011	X	
15. Follow up with donors to ensure that available donor funds are utilized for programme implementation, or paid back to donors in a timely manner	39	2010-2011	X	

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*
16. Ensure that operationally closed earmarked projects are financially closed in a timely manner	46	2010-2011	X	
17. United Nations system to revisit the harmonized approach to cash transfers framework to address the reasons why the framework has not worked, i.e. if it needs to be pursued or revised or if alternate models that support the original objectives can be developed	64	2010-2011	X	
18. (a) Consider amendments to its harmonized approach to cash transfers implementation guidelines to clearly define roles and responsibilities relating to its implementation; and (b) in conjunction with other agencies, establish clear deadlines for harmonized approach to cash transfers compliance in the country offices	65	2010-2011	X	
19. (a) Review the adequacy of the assignment of responsibility within UNFPA for its active participation in the harmonized approach to cash transfers; (b) review the assessment and audit reports to identify the needs of the implementing partners and improve capacity; and (c) correctly implement the harmonized approach to cash transfers framework to ensure that it provides assurances that funds were used for the intended purposes	66	2010-2011	X	
20. (a) Follow up on long-outstanding operating fund advances in a timely manner and ensure that funds advances are utilized for intended purposes; and (b) reallocate credit balances in operating fund advances to accounts payables	74	2010-2011	X	
21. (a) Provide clarity on the extent of oversight that regional offices should provide to country offices; (b) capacitate regional offices with staff and tools to enable them to carry out the oversight functions; and (c) design and implement the performance measurement system to be used to measure the effectiveness and performance of regional offices	83	2010-2011		X
22. Address the weaknesses in regional office architecture as recommended by the Division for Oversight Services	84	2010-2011		X
23. Take appropriate measures to ensure the validity, accuracy and completeness of the data used in the computation of all post-retirement and end-of-service liabilities in the future financial periods by ensuring that the information pertains to the correct reporting period	90	2010-2011	X	
24. Comply with policies and procedures regarding the evaluation of vendor performance	91	2010-2011		X
25. (a) Strengthen the review of ex post facto cases and other submissions to the contract review committee to limit the number of ex post facto cases	103	2010-2011	X	
26. Develop adequate contract management procedures to identify contracts that will expire to enable UNFPA to start the procurement process in good time	104	2010-2011	X	
27. Nepal country office to review its service contracts to ensure that core functions are not performed by service contractors	108	2010-2011	X	
28. Sudan country office to perform service contract evaluations and to provide justification for the continued use of contracts	110	2010-2011	X	

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*
29. Strengthen asset management controls in the field either through: (a) reviewing the guidance available to country offices; or (b) training in asset management. Its initiatives should focus on timely submission of asset certifications; improvements in asset identification and recording, and inventory count procedures	115	2010-2011	X	
30. Perform physical verification to ensure accuracy and completeness of asset register	116	2010-2011	X	
31. Expedite finalizing and action of its business plan to redesign some of the posts	126	2010-2011	X	
32. Implement procedures that would require the preparation and review of payroll reconciliations, at least on a quarterly basis	129	2010-2011	X	
33. Maintain accurate and complete leave records	133	2010-2011	X	
34. Address deficiencies in regional offices as mentioned in the report of the Division for Oversight Services	147	2010-2011		X
35. (a) Review and update the fixed asset management policy and procedures to provide a clear policy on the actions to be taken when property, plant and equipment are fully depreciated; and (b) review the useful life and fair value of full depreciated property, plant and equipment	24	2012		X
36. (a) Issue a reminder to all country offices to adhere to the requirements of the asset management policy, in particular on recording and reconciliations of assets; and (b) continue to perform a verification exercise to ensure that all of its assets are recorded on the assets register	29	2012	X	
37. Strengthen the implementation of the funding plan as approved so as to increase the funding of employee benefits liabilities and minimize the unfunded liabilities	34	2012	X	
38. Improve the use of the inventory management system module Channel to ensure full utilization of the system in keeping track of inventories in its field offices, and therefore increase reliability of inventory balances presented in the financial statements	40	2012	X	
39. Enhance control over use of special service agreements and only allow special service agreements that are consistent with its policy	45	2012		X
40. Abide by the service contract policy by conducting evaluations of service contracts two months prior to the expiration date and provide justification for the renewals	49	2012		X
41. (a) Improve the e-service application for leave management in order to ensure effective control, accurate recording and processing of leave applications so that the planned output from this application may be achieved; and (b) establish an internal review mechanism to ensure that leave monitors and absence processors, as well as staff supervisors, are adequately administering and reconciling leave applications	54	2012	X	
42. (a) Improve its leave policy to clearly state the role and approval limits so as to ensure that the headquarters have adequate control on endorsement and granting of special leave; and (b) review Atlas reports on special leave to make it more comprehensive by including duration and reason for granting special leave	59	2012		X

Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*
43. Strengthen the mechanisms for monitoring and reviewing procurements, taking into consideration risk and cost factors, by increasing regular reviews of the performance of the requisition units	67	2012		X
44. (a) Formalize the change procedure by standardizing change request forms and communication, and provide clearly dedicated responsibility for managing change requests from divisions, departments, countries and regional offices; and (b) ensure that the process of user acceptance testing is properly documented and included in the central server for easy reference	77	2012	X	
45. Division for Oversight Services expedites the process of filling vacant auditor posts	83	2012	X	
Total		**45**	**34**	**11**
Percentage		**100**	**76**	**24**

[a] A/68/5/Add.7.

Chapter III
Certification of the financial statements

Letter dated 21 April 2014 from the Director of the Division for Management Services of the United Nations Population Fund addressed to the Chair of the Board of Auditors

I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgements;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems;

The management provided the Internal Auditor with full and free access to all accounting and financial records;

The recommendations of the United Nations Board of Auditors and the Internal Auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, UNDP, which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to UNFPA, as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 115.3 (a).

(*Signed*) Subhash K. **Gupta**
Director
Division for Management Services

Chapter IV
Financial report for the year ended 31 December 2013

Introduction

1. The present report summarizes the information provided in the UNFPA financial statements for the year ended 31 December 2013 and highlights significant aspects and trends.

2. The financial statements comprise 5 statements, 26 notes and 5 schedules, which include information on the operations funded by UNFPA resources, both unearmarked and earmarked.

Financial performance

Trends in contribution revenue

3. For the first time in four years, contributions to unearmarked resources increased, up $22.5 million (5.1 per cent) in the year to $460.0 million. This positive trend is important since increased and predictable unearmarked resources are necessary to enable UNFPA to implement its strategic plan and deliver its programme to support countries to attain the goals of the International Conference on Population and Development.

4. Contributions to earmarked resources in 2013 — net of refunds to donors — totalled $470.6 million, a decrease of $32.5 million (6.5 per cent) for the year. This is the first decrease in earmarked contributions after several years of growth. However, earmarked contributions still accounted for 50.7 per cent of total contributions (53.7 per cent in 2012).

5. Consistent with previous years, a small number of donors account for the majority of the contributions to UNFPA. In 2013, the top 10 donors accounted for 87.1 per cent of unearmarked resources (86.8 per cent in 2012) and 93.7 per cent of earmarked resources (91.6 per cent in 2012). UNFPA continues to make significant efforts to broaden its donor base by engaging with middle income countries and countries with emerging economies, as well as with the private sector donors.

6. Refunds to donors continued to decrease to $6.4 million in 2013 (from $7.4 and $9.5 million in 2012 and 2011 respectively). In 2013, refunds represented only 1.3 per cent of the total contributions earmarked for co-financing projects. This reflects a continuous improvement in the ability of UNFPA to efficiently implement programme activities.

Other revenue

7. Other revenue of $49.1 million in 2013 was relatively stable in comparison with 2012 ($1.8 million decrease). Fees for support services grew significantly for both indirect cost charges ($27.3 million, up by $4.2 million since 2012) and procurement handling fees ($2.9 million, up by $0.8 million since 2012). This is in line with the increase in programme activities funded by earmarked resources.

8. Procurement service receipts almost tripled in the year, reaching $37.5 million in 2013 ($13.2 million in 2012) in line with the organization's commitment to

increase timely and efficient access to high-quality, affordable commodities. With regard to procurement performed on behalf of third parties, UNFPA only accounts for its handling fee of 5 per cent as revenue ($2.9 million in 2013). Schedule C provides a detailed analysis of third party procurement services by category of client.

Future revenue flows and continuity of operations

9. UNFPA fully anticipates solid streams of future revenue based on agreements already signed with donors, including an estimated $487.6 million in future (2014-2019) contributions to the Global Programme to Enhance Reproductive Health Commodity Security. This is extremely important to ensure continuity and support the medium- to long-term vision of the organization's programme activities.

Expenses — overview

10. Total expenses have increased by 9.9 per cent since 2012 to $913.3 million, reflecting the significant growth of UNFPA programme activities. The most visible increase concerned activities funded by earmarked resources, with co-financing activity expenses increasing by $62.9 million.

11. Total programme activity expenses increased by 10.8 per cent to $771.2 million ($696.1 million in 2012), while institutional budget expenses increased only 3.4 per cent to $138.8 million (against $134.2 million in 2012). Institutional budget expenses represented 15.2 per cent of the total expenses of UNFPA in 2013, down 1 per cent from 2012. This confirms the organization's commitment to continuously strengthen efficiency in corporate support and administrative activities.

Expenses — breakdown by geographical destination, by nature and by implementing agent

12. UNFPA is a field-based organization. In 2013, $593.2 million, or 77.8 per cent, of total programme activity expenses (excluding procurement services and the Junior Professional Officers programme) was utilized by UNFPA in the field. The region with the highest value of UNFPA assistance in 2013 was eastern and southern Africa (a total of $165.1 million, including $74.3 million in regular resources), followed by Asia and the Pacific ($133.8 million, including $96.5 million in regular resources) and western and central Africa ($126.3 million, including $65.8 million in regular resources). Total expenses for global programme and other headquarters programme activities amounted to $169.7 million (or 22.2 per cent of total programme activity expenses). Out of this amount, $102.4 million, or 60.3 per cent, was spent on the Global Programme to Enhance Reproductive Health Commodity Security.

13. The breakdown of total expenses "by nature" is presented in the 2013 financial statements for the first time (see statement 2, note 24 (b) and schedules D and E).

14. The organization's success in delivering its mandate is largely dependent on its skilled and competent national and international staff. In 2013, UNFPA spent $250.3 million on staff[1] costs, which represents 27.4 per cent of total expenses for

[1] The term "staff" includes all staff members who are appointed by or on behalf of the Executive Director of UNFPA pursuant to the United Nations Staff Regulations under appointment authority delegated to the Executive Director by the Secretary-General (ST/SGB/2004/10, effective 1 June 2004, and General Assembly decision 58/555 on personnel matters relating to UNFPA). It includes all staff members holding continuing, fixed-term and temporary contracts.

the year. This is 1.3 per cent lower than in 2012, when staff costs represented 28.7 per cent of total expenses for the year. As at the end of 2013, 82.8 per cent of UNFPA posts were based in field offices and 17.2 at the organization's headquarters.

15. Distribution of reproductive health and other programme-related goods significantly increased in both absolute and percentage terms ($36.6 million, or 28.7 per cent, over 2012), reflecting the ongoing efforts by UNFPA and the donor community to improve accessibility to high quality reproductive health commodities around the world.

16. Expenses for development and training of counterparts saw a significant increase of $20.2 million (28.8 per cent) over 2012, as did expenses for supplies, materials and operating costs (an increase of $17.3 million, or 12.4 per cent, over 2012), with the most significant increases related to expenses for printing, publications and media, transportation and distribution.

17. A significant percentage of UNFPA programme activities are implemented by Governments and non-governmental organizations, which in 2013 accounted for $215.8 million, or 28.2 per cent, of total programme expenses; this is $16.9 million higher than in 2012.

Surplus for the year

18. The overall surplus for the year in 2013 was $63.4 million, down from $157.0 million in 2012. This reflects a higher level of implementation for both unearmarked and earmarked resources.

19. Unearmarked resources recorded a deficit of $11.6 million, which was offset by $32.3 million surplus carried forward from 2012. At the end of 2013, UNFPA carried forward $6.1 million of unutilized unearmarked resources to be reprogrammed in 2014.

20. Earmarked resources recorded a surplus of $75.0 million in 2013, $95.2 million lower than 2012, a consequence of higher programme implementation ($65.3 million increase from 2012) and a $30 million year-on-year decrease in total revenue.

Financial position

Assets and liabilities

21. Total assets as at 31 December 2013 amounted to $1,160.5 million ($1,204.7 million in 2012); total liabilities amounted to $401.1 million ($543.2 million in 2012).

22. As at 31 December 2013, total current assets amounted to $773.3 million, compared with total current liabilities of $167.3 million, resulting in a current ratio of 4.6, which measures the organization's ability to meet its current obligations. The increase from 2012 (2.8) is due to the significant fall in accounts payable (only partially compensated for by the decrease in cash and cash equivalents and investments), and the growth in inventories and contributions receivable. These trends are detailed below.

Cash balances and investment portfolio

23. UNFPA cash balances (cash in hand and in the bank) at the end of 2013 were stable in comparison with 2012, totalling $21.1 million. The liquidity profile of UNFPA investments shifted in favour of short-term investments of 3 to 12 months duration, which at the end of 2013 represented 47.1 per cent of the organization's portfolio (25.5 per cent in 2012) to the detriment of cash equivalent instruments with a maturity of three months or less, which represented 13.2 per cent (38.5 per cent in 2012).

24. UNFPA cash equivalent instruments and investments decreased by $160.4 million (17.7 per cent) from $905.8 million in 2012 to $745.4 million at the end of 2013. This was due mainly to a timelier settlement of the year-end inter-fund balance position with UNDP ($22.4 million in 2013 against $122.7 million in 2012).

25. In 2013, yields were down to 0.8 per cent from 1.0 per cent in 2012 and, as at the end of 2013, maturity length averaged 10.7 months, up slightly from 2012. UNFPA invests in high quality financial instruments with strong emphasis on the creditworthiness of the issuers; as at the end of 2013 66.4 per cent of the total value of financial instruments was held in AAA securities (bonds, commercial papers and discount notes with a duration of three months or longer).

26. UNFPA treasury and investment services are managed by UNDP under a service level agreement.

Inventories

27. The total value of UNFPA inventories increased significantly, from $35.7 million at the end of 2012 to $46.6 million at the end of 2013. For the most part (91.2 per cent), inventories consist of reproductive health goods temporarily held at vendors' premises, in warehouses in the field or in transit towards their final destination.

28. Field stocks experienced the most significant growth since 2012, from $3.7 million to $10.0 million, in parallel with an increase in the number of field offices holding goods from 17 offices in 2012 to 26 offices in 2013. This growth was due primarily to the increase in UNFPA activities in humanitarian emergency areas. Inventories in transit also experienced an upward trend, up by $4.0 million, from $29.3 million in 2012 to $33.3 million in 2013, due mainly to the continuous growth in purchases for the Global Programme to Enhance Reproductive Health Commodity Security of reproductive health commodities.

29. In light of the growing importance of procurement and distribution of reproductive health commodities, UNFPA is undertaking a number of initiatives to strengthen its ability to handle, track and report inventories to effectively support its operations in the field.

Property, plant and equipment and intangible assets

30. The value of property, plant and equipment was stable at $31.8 million ($31.4 million in 2012) without significant variations among the classes of assets. Vehicles utilized in the field amounted to $11.3 million and buildings owned by UNFPA in the field totalled $8.9 million.

31. At the end of 2013, the cost of fully depreciated property, plant and equipment items that were still in use amounted to $16.4 million ($13.4 million in 2012). In

2013, UNFPA undertook a comprehensive review of the current useful lives attributed to the different classes of property, plant and equipment and decided to update them progressively, starting from January 2014, based on the new estimates.

32. The value of intangibles as at the end of 2013 totalled $0.1 million; these relate to commercial and internally developed software owned by UNFPA.

Accounts receivable and payable

33. Contributions receivable reached $285.5 million at the end of 2013 (a $107.5 million increase over 2012). Earmarked contributions receivable represent 98.8 per cent of the total. At the end of 2013, a substantial amount of contributions receivable ($174.2 million) referred to instalments from multi-year co-financing agreements, which will become due for payment in future periods.

34. Despite the increase in receivables, contributions collection rates remain extremely high; by the end of 2013, UNFPA only had $1.8 million of contributions receivable aged more than 12 months and in the year wrote off just $0.2 million of contributions receivable (the same amount as in 2012).

35. Accounts payable fell significantly over 2013 from $251.2 million to $133.5 million; this is attributable to a significantly lower inter-fund balance with UNDP and decreased funds held by UNFPA on behalf of other United Nations system organizations as administrative agent of joint programmes.

Employee benefits

36. The opening employee benefits liability balance of 2013 was restated and increased by $26.0 million as a result of incorrect census data provided to the actuaries for 108 UNFPA retirees, who previously had been reported incorrectly as UNDP retirees. Nonetheless, the employee benefits liability at the end of 2013 fell to $259.3 million from $273.3 million in 2012, owing primarily to a $37.0 million actuarial gain on the after service health insurance liability; the discount rate applied by the actuaries to calculate after service health insurance liability increased from 4 per cent in 2012 to 5.01 per cent in 2013.

37. The unfunded portion of the employee benefits liability decreased significantly from $137.9 million at the end of 2012 to $102.1 million at the end of 2013, owing mainly to the revised discount rate and additional funding of $21.8 million provided during the year. A five-year funding plan is in place to bridge the funding gap, including new payroll-based surcharges introduced in 2013.

38. In 2013, UNDP led a procurement process on behalf of a number of United Nations agencies to identify external funds managers to invest funds held to cover the employee benefits liability. The transition to the new funds managers — who will have the opportunity to invest in more diverse higher yielding investments — is planned to be completed by June 2014.

Fund balances and reserves

39. The unearmarked resource balance comprises two categories: undesignated fund balance and designated fund balance.

40. As at the end of 2013, the undesignated fund deficit was $(61.8) million consisting of a deficit of $(102.1) million representing the unfunded portion of

employee liabilities and $40.3 million representing the programmable fund balance on an IPSAS basis. From the programmable fund balance an amount of $6.1 million cash is available for reprogramming in 2014.

41. As at the end of 2013, the designated fund balance was $48.6 million. Of this amount $5.1 million arising from cumulative excess of procurement handling fees over expenses was set aside to facilitate procurement services resource planning. In addition, $5.8 million of accumulated cost recoveries in excess of budgeted amounts were retained in a separate fund to cover future capacity requirements associated with implementing projects and programming activities. A further $37.6 million was attributed to a private endowment fund.

42. As at the end of 2013, the earmarked resource fund balance was $676.0 million. Of this amount, $655.9 million represents donors' contributions to co-financing activities to be implemented by UNFPA in future years.

Conclusion

43. UNFPA has ended the 2013 fiscal year in robust financial health and is well positioned to effectively deliver on its mandate going forward.

Chapter V

Financial statements for the year ended 31 December 2013

United Nations Population Fund

I. Statement of financial position as at 31 December 2013[a]

(Thousands of United States dollars)

	Reference	*As at 31 December 2013*	*As at 31 December 2012 (Restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 3	122 119	380 129
Investment maturing within one year	Note 4	360 696	236 635
Inventories	Note 5	46 559	35 743
Contributions receivable (exchange transactions)	Note 6	10	237
Contributions receivable (non-exchange transactions)	Note 6	213 980	127 508
Prepayments and other current assets	Note 6	14 765	17 360
Operating fund accounts	Note 7	15 146	13 695
Total		**773 275**	**811 307**
Non-current assets			
Investments maturing after one year	Note 4	283 685	311 648
Contributions receivable (non-exchange transactions)	Note 6	71 513	50 276
Other non-current assets	Note 6	11	–
Property, plant and equipment	Note 8	31 841	31 425
Intangible assets	Note 9	137	–
Total		**387 187**	**393 349**
Total assets		**1 160 462**	**1 204 656**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	133 464	251 217
Employee benefits	Note 12	31 447	28 315
Other current liabilities and deferred revenue	Note 13	2 389	12 390
Total		**167 300**	**291 922**
Non-current liabilities			
Employee benefits	Note 12	227 884	244 955
Other non-current liabilities and deferred revenue	Note 13	5 884	6 331
Total		**233 768**	**251 286**
Total liabilities		**401 068**	**543 208**
Net assets		**759 394**	**661 448**
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	91 660	87 204
Reserve for field accommodation	Note 14	5 000	6 100
Total reserves		**96 660**	**93 304**
Fund balances			
Designated unearmarked fund balances	Note 14	48 557	43 055
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	(61 800)	(75 241)
Earmarked resources	Schedule B	675 977	600 330
Total fund balances		**662 734**	**568 144**
Total reserves and fund balances		**759 394**	**661 448**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

II. Statement of financial performance for the year ended 31 December 2013[a]

(Thousands of United States dollars)

	Reference	*2013*	*2012 (Restated)*
Contribution revenue			
Unearmarked contributions	Schedule A	459 999	437 499
Less: transfers to other revenue for reimbursement of tax charges		(2 931)	(3 293)
Subtotal	Note 15	**457 068**	**434 206**
Earmarked contributions	Note 15	477 025	510 495
Less: refunds to donors		(6 378)	(7 371)
Subtotal		**470 647**	**503 124**
Total contribution revenue	Note 15	**927 715**	**937 330**
Other revenue	Note 16	49 052	50 931
Total revenue		**976 767**	**988 261**
Expenses			
Staff costs	Note 18	250 320	238 284
Reproductive health and other programme-related goods	Note 18	164 154	127 524
Development and training of counterparts	Note 18	90 483	70 253
Supplies, materials and operating costs	Note 18	156 299	139 012
Contracted and professional services	Note 18	152 005	163 652
Finance costs	Note 18	704	496
Travel	Note 18	85 256	78 850
Depreciation and amortization	Notes 8, 9, 18	8 572	7 743
Impairment	Note 18	4	–
Other expenses	Note 18	5 543	5 407
Total expenses		**913 340**	**831 221**
Surplus for the year	**Statements III and IV**	**63 427**	**157 040**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

III. Statement of changes in net assets for the year ended 31 December 2013[a]

(Thousands of United States dollars)

	Reference	*Fund balances*	*Reserves*	*Total net assets*
Adjusted opening balance as at 1 January 2012		**432 574**	**95 704**	**528 278**
Movements in fund balances and reserves in 2012				
Transfers to/from operational reserve		3 500	(3 500)	–
Staff-related benefits		(23 945)	–	(23 945)
Transfers within UNFPA resources				
Reserve for field accommodation		(1 234)	1 234	–
Other adjustments		75	–	75
Surplus/(deficit) for the period	Statement II	157 174	(134)	157 040
Total movements during the period		**135 570**	**(2 400)**	**133 170**
Balance as at 31 December 2012 (restated)	Statement I	**568 144**	**93 304**	**661 448**
Movements in fund balances and reserves in 2013				
Transfers to/from operational reserve	Note 14	(4 456)	4 456	–
Staff-related benefits	Note 14	34 519	–	34 519
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(1 152)	1 152	–
Surplus/(deficit) for the period	Note 14, statement II	65 679	(2 252)	63 427
Total movements during the period		**94 590**	**3 356**	**97 946**
Balance as at 31 December 2013	Statement I	**662 734**	**96 660**	**759 394**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2013[a]

(Thousands of United States dollars)

	Reference	*2013*	*2012 (Restated)*
Cash flows from operating activities			
Surplus for the period	Statement II	63 427	157 040
Foreign-exchange holding (gains) on cash and cash equivalents		(250)	(573)
Depreciation and amortization	Notes 8, 9, 18	8 572	7 743
Impairment and write-off of fixed assets		8	–
Loss/(gain) on disposal of property, plant and equipment	Note 18	394	1 182
Investment revenue	Note 16	(6 590)	(7 036)
(Decrease)/increase in allowances for doubtful accounts	Notes 6, 7	(302)	7
(Increase)/decrease in inventories	Note 5	(10 816)	(19 924)
(Increase)/decrease in contributions receivable	Note 6	(107 527)	(85 069)
(Increase)/decrease in operating fund advances	Note 7	(1 452)	(4 037)
Decrease/(increase) in prepayments and other assets		2 976	(3 913)
(Decrease)/increase in accounts payable and accruals	Note 10	(117 753)	107 209
(Decrease)/increase in employee benefits obligations	Note 12	(13 939)	45 111
(Decrease)/increase in other liabilities and deferred revenue	Note 13	(10 448)	10 693
Actuarial gain/(loss)	Statement III	34 519	(23 945)
Increase/(decrease) in fund balances and reserves	Statement III	–	75
Net cash flows from operating activities		**(159 181)**	**184 564**
Cash flows from investing activities			
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(9 712)	(9 600)
Proceeds of sale of property, plant and equipment		144	254
Purchase of investments	Note 4	(405 502)	(513 011)
Maturities of investments	Note 4	302 716	509 002
Interest received	Notes 4, 6, 16	13 275	15 569
Net cash flows from investing activities		**(99 079)**	**2 214**
Cash flows from financing activities		–	–
Net cash flows from financing activities		–	–
Net (decrease)/increase in cash and cash equivalents		**(258 260)**	**186 778**
Cash and cash equivalents at the beginning of the period	Note 3	380 129	192 778
Foreign-exchange holding gains on cash and cash equivalents		250	573
Cash and cash equivalents end of the period	Note 3	**122 119**	**380 129**

[a] The accompanying notes are an integral part of the financial statements.

The cash flow statement is presented using the "indirect method".

United Nations Population Fund

V. Statement of comparison of budget to actual amounts for the year ended 31 December 2013 and for the biennium 2012-2013[a]

(Thousands of United States dollars)

Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Year 2013				
Development activities				
Development effectiveness	27 577	27 597	27 340	257
Programmes	372 700	368 700	351 743	16 957
Management activities				
Recurring costs	118 218	118 096	110 276	7 820
Non-recurring costs	3 023	3 065	2 288	777
Total, 2013	**521 518**	**517 458**	**491 647**	**25 811**
Biennium 2012-2013				
Development activities				
Development effectiveness	54 382	54 146	53 734	412
Programmes	683 100	733 644	684 533	49 111
Management activities				
Recurring costs	231 546	230 621	216 033	14 588
Non-recurring costs	7 223	7 425	4 882	2 543
Total, biennium 2012-2013	**976 251**	**1 025 836**	**959 182**	**66 654**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund
Notes to the financial statements

Note 1
Mission statement, organizational objectives and reporting entity

Mission statement

The United Nations Population Fund (UNFPA) is the lead United Nations agency that expands the possibilities for women and young people to lead healthy sexual and reproductive lives. We support countries to promote and protect human rights and in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled.

Organizational objectives

The Fund works to advance the right to sexual and reproductive health by accelerating progress towards achieving Millennium Development Goal 5 (to improve maternal health), with priority on advancing two key MDG targets: to reduce maternal deaths and to achieve universal access to sexual and reproductive health services, including voluntary family planning. Through that focus, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth in more than 150 countries. The Fund's work is guided by its expertise in population dynamics, human rights and gender equality and driven by country needs. The Fund is a catalyst for action and advocacy, partnering with Governments, other United Nations agencies, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, the Fund helps countries to use population data to anticipate tomorrow's challenges through providing empowering technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by, and promotes, the goals and principles of the Programme of Action of the International Conference on Population and Development (1994) and the key actions for the further implementation of the Programme of Action. In particular, UNFPA is committed to advancing sexual and reproductive health and reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are development goals in themselves.

UNFPA firmly believes that meeting these goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. These goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated — they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations field presence, under the leadership of a strengthened resident coordinator in a collegial and participatory resident coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the Millennium Development Goals. These eight goals, which are fully aligned with the Programme of Action, have the overarching aim of reducing extreme poverty by half by 2015. UNFPA brings its special expertise in reproductive health and population and development issues to the worldwide collaborative effort of meeting the Millennium Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Millennium Development Goals. These partnerships are customized to national and local circumstances.

Reporting entity

UNFPA is a subsidiary organ of the General Assembly. It receives overall policy guidance from the General Assembly and the Economic and Social Council. On administrative, financial and programme matters UNFPA reports to its governing body, the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services.

UNFPA has its headquarters in New York and operates in over 150 regional, subregional, country and liaison offices around the world.

Note 2
Accounting policies and restatement of prior-year comparatives

(a) Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies.

(i) Accounting convention

These financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and the International Public Sector Accounting Standards (IPSAS).

(ii) Financial period

The period covered by these financial statements is the year ended 31 December 2013.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United

States dollars is established using the appropriate United Nations operational rate of exchange.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up due to rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

(v) Financial assets

Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

Financial assets denominated in foreign currency are translated into United States dollars at the United Nations operational rate of exchange prevailing at the reporting date, with gains and losses recognized in surplus or deficit in the statement of financial performance.

UNFPA classifies financial assets into the following categories: at fair value through surplus or deficit; loans and receivables; held to maturity; and available for sale. The classification, which depends on the purpose for which the financial instruments are acquired, is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNFPA initially recognizes loans and receivables on the date they originated. All other financial assets are recognized initially on the trade date, which is the date UNFPA becomes a party to the contractual provision of the instrument.

IPSAS classification	*Financial asset*
Held to maturity	Investments
Available for sale	Investments — none as at 31 December 2013 and 31 December 2012
Loans and receivables	Cash and cash equivalent, contributions receivable, operating fund advances and other receivables
Fair value through surplus or deficit	Derivatives — none as at 31 December 2013 and 31 December 2012

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recognized at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the

effective interest method. In 2013, UNFPA classified its investment portfolio as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recognized at fair value plus transaction costs and subsequently reported at fair value, with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors. As at 31 December 2013, UNFPA had no outstanding balances of financial assets classified in this category.

Loans and receivables financial assets

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs. Subsequent to recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss, if applicable. The market value is also disclosed in the notes to these statements. These instruments are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default of a debtor, at specific asset level. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Contributions receivables from exchange and non-exchange transactions are stated at nominal value less allowance for doubtful amounts.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are assets that are designated on initial recognition or are held for trading. The assets are initially recognized at fair value and any transaction costs are expensed. They are measured at fair value at each reporting date, and any resultant fair value gains or losses are recognized through surplus or deficit.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. As at 31 December 2013, UNFPA had no open foreign exchange derivative instruments positions in this asset category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNFPA does not apply hedge accounting for derivatives.

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

(vi) Inventories

UNFPA inventory consists primarily of reproductive health-care commodities and medical and other equipment, either for sale to third parties or to be distributed to beneficiaries directly or through implementing partners in support of programme activities implemented on behalf of UNFPA.

Inventory is held for distribution at no cost to beneficiaries or at cost to third parties; as such, inventory is valued at the lower of cost and current replacement cost. Inventory is expensed when control is transferred.

As at the reporting date, inventory consists of items under UNFPA control, either stored within warehouses or in transit and not yet physically received at their destination.

The cost of inventory held in stock by headquarters is determined using the weighted average cost basis, while the cost of inventory in transit and field stocks is based on the actual cost of the goods plus other costs incurred in bringing them to their destination, determined based on standard costs.

Items of property, plant and equipment on route to implementing partners as at the reporting date and under UNFPA control are recorded as property, plant and equipment-like inventory in transit based on the actual cost. These items are expensed upon transfer.

(vii) Allowance for doubtful accounts

Contributions receivable. An analysis of outstanding unearmarked contributions receivable is carried out and, where collection is considered doubtful, an allowance is made. Any contributions receivable that are outstanding for more than three years are presumed to be doubtful. All contributions receivable are presented in statement I net of the value of these allowances.

An analysis of outstanding earmarked contributions receivable is carried out, with particular reference to receivables that remain unpaid beyond their due date and/or at the expiry date of the agreement. If a mutual understanding is reached between the parties to reduce the contribution prior to the expiry of the agreement, the contribution and the related receivable are directly reduced. In cases where at the agreement expiry date UNFPA has received no communication from the donor or the donor took a unilateral decision to withdraw from the agreement, the outstanding contributions are considered doubtful and an allowance is made.

Operating fund advances. An analysis of outstanding operating fund advances is carried out and, when recovery is considered doubtful, an allowance is made. Operating fund advances are presented in statement I net of the value of these allowances.

Other assets. An analysis of the items included in other assets (staff advances, accounts receivable and other) is carried out and, where there is evidence that the recovery is doubtful, an allowance is made. These allowances are netted against assets as shown in statement I and note 6 (b).

(viii) Property, plant and equipment

The capitalization threshold for property, plant and equipment under UNFPA control is $1,000. Property, plant and equipment is capitalized when the asset is put in service and depreciated over its estimated useful life. A full month's depreciation is charged in the month of acquisition, while no depreciation is charged in the month of retirement for those classes of property, plant and equipment subject to depreciation.

Leasehold improvements are recognized as property, plant and equipment valued at cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is $5,000.

Property, plant and equipment acquired through donation or nominal right to use are valued at cost by using the fair market value at the date of acquisition by UNFPA.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost comprises the original purchase price plus any other costs directly attributable to bringing the asset to the location and condition intended by management for its use. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred.

Depreciation is provided for property, plant and equipment over its estimated useful life using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are as follows:

Property, plant and equipment class	*Estimated useful life*
Vehicles	5 years
Furniture and fixtures	6 years
Communication and information technology equipment	2-10 years
Leasehold improvements	Shorter of lease term or useful life
Buildings	30 years
Land	No depreciation
Heritage assets	No depreciation

(ix) Impairment of property, plant and equipment

UNFPA property, plant and equipment is not held for the primary objective of generating a commercial return and is considered "non cash generating" for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment at least annually and before each reporting date. If any indication of impairment exists, the organization estimates the recoverable service amount of the affected items and writes them down accordingly.

(x) Intangible assets

Intangible assets are capitalized if their cost meets the threshold of $5,000 except for internally developed software for which the capitalization threshold is $100,000. The capitalized value of the internally developed software excludes research and maintenance costs. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life ranges for classes of intangible asset are as follows:

Intangible asset class	*Estimated useful life*
Software acquired separately	3-6 years
Software developed internally	3-6 years
Intangible assets under development	Not amortized
Licences and rights	Shorter of agreement term and useful life in range of 2-6 years
Copyrights	3-10 years

(xi) Financial liabilities

UNFPA classifies financial liabilities into the following categories: fair value through surplus or deficit and other financial liabilities.

IPSAS classification	*Financial asset*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payables, other liabilities
Fair value through surplus or deficit	Derivatives

Financial liabilities are mainly accounts payable in respect of goods and services that have been received by UNFPA but not paid for as at the reporting date, unspent funds held for future refunds and other miscellaneous items such as unapplied cash deposits. They are classified as "other financial liabilities", and therefore are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method. Financial

liabilities entered into with a duration of less than 12 months are recognized at their nominal value.

Derivatives are classified as "financial liabilities at fair value through surplus or deficit". These liabilities are designated on initial recognition or are held for trading. They are measured at fair value at each reporting date and changes therein are recognized in surplus or deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. As at 31 December 2013, UNFPA had no open foreign exchange derivative instruments and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNFPA does not apply hedge accounting for derivatives.

(xii) Employee benefit liabilities

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

Obligations for new employees are recognized from the date they report to their duty station.

UNFPA employee benefits are classified into short-term and post-employment benefits.

Short-term employee benefits

Short-term employee benefits are employee entitlements that are due to be settled within 12 months after the end of the reporting period in which the employee renders the related service. These benefits are comprised of accumulated annual leave, home leave and other short-term benefits.

Annual leave is an accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore the organization recognizes as a liability the value of the total accumulated leave days of all staff members as of the balance sheet date.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, the liability is not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits provided by UNFPA are:

- After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. The after-service health insurance liability represents the present value of the share of UNFPA medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff.
- End-of-service entitlements, which comprise repatriation grant, shipping costs and travel expenses. A liability is recognized from when the staff member joins UNFPA and is measured as the present value of the liability for settling these entitlements when the staff member leaves UNFPA employment.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of UNFPA is to provide agreed benefits and therefore UNFPA bears actuarial risk; that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Movements in the liability from actuarial gains and losses are recognized in net assets. All other changes in the liability are recognized in the statement of financial performance in the period in which they occur.

The discount rate used in determining the present value of the liability for post-employment benefits is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNFPA and the United Nations Joint Staff Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of UNFPA of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNFPA has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNFPA contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

(xiii) Revenue

UNFPA is primarily funded from voluntary contributions that fall into two distinct categories:

(a) Unearmarked contributions (also referred to as regular, core or unrestricted contributions) represent resources that are unrestricted as to use;

(b) Earmarked contributions (also referred to as other, non-core or restricted contributions) represent resources that are earmarked by the donors as to their use. These include co-financing and the Junior Professional Officers programme. Co-financing includes cost-sharing, thematic and other trust funds.

For both types of contributions, revenue is recognized upon the earlier of the receipt of cash or signing of a binding agreement. Very exceptionally, where resources are provided subject to specific conditions or when contributions are explicitly given for a specific year, recognition may be deferred until those conditions have been satisfied.

UNFPA participates in pooled funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of these pooled contributions is recognized at the time of disbursement of those funds by the administrative agent.

Contributions of goods in kind are recognized as contributions on the face of the financial statements. Contributions of services in kind are presented in the notes if material. Contributions in kind are initially recorded at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals.

Revenue from the sale of goods is recognized upon transfer of the goods; revenue from the rendering of procurement services is recognized based on the value of procurement services delivered.

(xiv) Refunds to donors

Refunds arising on the expiry or termination of agreements are recognized when instructions are received from the donor requesting repayment. All refunds to donors are shown as a reduction of contributions revenue. Refunds to donors are disclosed in statement II, note 15 and schedule B.

(xv) Expenses

A significant percentage of programme activities is implemented by Governments and non-governmental organizations (NGOs). Although UNFPA cannot impose a specific basis of accounting on such organizations, these implementing partners are required to report expenses based on the completion of activities funded by UNFPA.

Where the programme activities are implemented by Governments and NGOs, these implementing partners provide UNFPA with reports documenting their use of resources, which are the basis for recording programme expenses in the UNFPA accounts. Where UNFPA decides to advance funds to these implementing partners, these advances are made on the basis of cash projections and are liquidated on the basis of the reports submitted by the implementing partners. Advances to implementing partners that remain outstanding at the end of the year are classified as "operating fund advances" on statement I.

Where the programme activities are implemented by United Nations agencies, these implementing partners also provide UNFPA with reports documenting their

use of UNFPA resources. The reports define expenses according to the accounting policies of the United Nations agency reporting the expenses.

The support costs incurred by and paid to implementing partners are reported as expenses under funds utilized by implementing partners.

The indirect costs charged to activities funded by earmarked contributions to cover costs related to the management and administration of such activities are not shown as expenses except in note 24 (b) and schedule B. Indirect costs are recovered at a rate of 5 per cent on nationally executed cost-sharing expenses financed by programme countries, 7 per cent on all other co-financed expenses and 5 per cent on third-party procurement expenses.

(xvi) Exchange gains and losses

Exchange gains and losses from contributions are included in "other revenue". All other exchange gains and losses resulting from exchange rate movements related to revaluation of cash and cash equivalents, investments, advances and other transactions are reported separately within "other revenue" and "other expenses", respectively. All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at 31 December 2013.

(xvii) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term is disclosed in the notes to these financial statements.

(xviii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated right-to-use agreements granted by the host Governments. Based on the length of agreements (or "lease term") and termination clauses, these donated rights to use can be similar to nominal operating leases or nominal finance leases. In the latter case, UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease similar agreements (principally short term), an expense and a corresponding revenue amount equal to the annual market rent of similar premises is recognized in the financial statements. In the case of finance

lease similar agreements (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises for the same amount, unless the property is transferred to UNFPA with specific conditions. In these situations, a deferred revenue amount is recognized equal to the entire fair market value of the property (or respective share) occupied by UNFPA, which is progressively recognized as revenue and offsets the corresponding depreciation charged over the shorter of the useful life of the property and the right to use term.

(xix) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (a) UNFPA has a present legal or constructive obligation as a result of past events; (b) it is probable that UNFPA will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA these are key management personnel and close members of the family of key management personnel, identified as members of the UNFPA Executive Committee and the Director of the Division for Oversight Services and the Chiefs of the Procurement and Management Information Services branches. Any other individual acting in one of these roles as officer-in-charge for three months or more in a calendar year is also included. UNFPA discloses the value of transactions with these parties, including salaries and any loan obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed as the organization does not have the power to influence financial and operating policy decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xxi) Commitments

Commitments are future expenses to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA has minimal, if any, discretion to

avoid in the ordinary course of operations. Commitments include: capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxii) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf and at the request of Governments, the United Nations and its funds, programmes and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a handling fee in respect of these procurement services at a rate established by the Executive Board, which was 5 per cent for 2013, recorded as part of other revenue.

These services have been reported under schedule C and schedule E. Note 16 provides further disclosure on the revenue for procurement services.

(xxiii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: fair value of land and buildings, pension and other post-employment benefits obligations, amounts for litigations, accrued charges, contingent assets and liabilities, and useful lives and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

(xxiv) Transitional provisions

UNFPA has used transitional provisions as follows:

- UNFPA applies the transitional provision in IPSAS 17: Property, plant and equipment, with regard to its leasehold improvements
- IPSAS 25: Employee benefits, was applied prospectively; UNFPA does not present comparative amounts for the previous four reporting periods with regard to the present value of the defined benefit obligations and experience adjustments arising on plan liabilities
- IPSAS 31: Intangible assets, was applied prospectively; as a result, intangible assets that were acquired or internally developed before 1 January 2012 have not been capitalized
- In 2013, UNFPA fully adopted the following IPSAS financial instruments accounts standards: IPSAS 28: Presentation; IPSAS 29: Recognition and measurement; and IPSAS 30: Disclosures. The effective date of these standards is 1 January 2013, but UNFPA had implemented most of the requirements of these standards in its 2012 financial statements.

(xxv) Comparison of budget to actual amounts

UNFPA prepares its budget on a modified cash basis.

Comparison between budget and actual amounts on budget comparable basis are presented in statement V. The scope of the budget for the purpose of this statement encompasses the institutional budget plus programme activities funded from unearmarked resources. The organization's institutional budget was prepared on a biennial basis for the period 2012-2013 and annualized by management for the purpose of determining internal resource allocation. Consequently, statement V presents both the 2013 and the biennial 2012-2013 consolidated figures.

The original budget is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The final budget reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as budget utilization.

Comparisons between actual amounts on a budget comparable basis and actual amounts reported in the financial statements are shown in note 23.

(b) Changes in presentation and restatement of prior year comparatives

(i) Changes in presentation

UNFPA is committed to continuously improving the quality and readability of its financial statements. In this context in 2013 financial statements:

- A limited number of accounts are remapped to strengthen internal consistency and comparability with other United Nations system organizations. The 2012 comparatives are aligned with the new presentation. A summary of 2012 comparative amounts changes as a result of remapping of accounts is presented in the following table.

Amount (thousands of United States dollars)	*Description*	*Affected statements, notes, schedules*
183	Reclassified from "Prepayments and other current assets" to "Other current liabilities and deferred revenue"	Statements 1 and 4, notes 6 (b), 13, and 24 (a)
35	Reclassified from "Employee benefits" to "Accounts payable and accruals"	Statement 1, notes 10, 12 and 24 (a)
126	Reclassified from "Other current liabilities and deferred revenue" to "Accounts payable and accruals"	Statements 1 and 4, notes 10, 13 and 24 (a)
211	Gain from disposal of fixed assets reclassified from "Other revenue" to "Other expenses"	Statement 2, notes 16, 19 and 24 (b), schedules D and E
13	Reclassified from "(Decrease)/increase in employee benefits obligations" to "(Decrease)/increase in accounts payable and accruals"	Statement 4
100	Reclassified from "(Increase)/decrease in operating fund advances" to "(Decrease)/increase in accounts payable and accruals"	Statement 4

- In statement II and related schedules D and E, expenses are displayed "by nature". Each class of expenses is then further detailed in note 18. The breakdown of expenses by implementing agent, previously shown on the face of financial statements, is now shown in note 17.
- The structure of note 23 was modified to improve readability and usefulness from the perspective of the readers of the financial statements.

(ii) Correction of prior year comparatives

Comparative information for 2012 reflects the following restatements and corrections of errors identified after the publication of the 2012 financial statements:

- Correction of capitalized value of one premise owned by UNFPA to reflect the actual date of acquisition; split between the value of the land and the building and consequent correction of accumulated depreciation. This resulted in a decrease of the overall net book value of property, plant and equipment of $0.5 million as at 31 December 2012 and a decrease of depreciation expenses of $19,764.
- Computation of expenses and liabilities related to an additional group of staff members previously not included in the overall number of UNFPA staff used for employee benefits' actuarial valuation. This resulted in an increase of after-service health insurance liability of $26.0 million and an increase in 2012 staff costs of $1.1 million. The error was attributable to incorrect census data provided to the actuaries for 108 UNFPA retirees who had been reported incorrectly as UNDP retirees in prior years.

Note 3
Cash and cash equivalents

Cash and cash equivalents comprise:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012*
Cash on hand	1	10
Cash at banks	21 059	22 566
Money market funds[a]	26 066	32 565
Time deposits[a]	–	125 000
Commercial paper and discount notes[a]	74 993	199 988
Total	**122 119**	**380 129**

[a] Financial instruments with a maturity of three months or less from the date of acquisition are classified as cash equivalents.

Cash requirements for immediate disbursements are held in bank accounts. Cash in bank accounts is held predominantly in United States dollars, with a limited amount held in local currencies as shown in note 25.

UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4
Investments

Investments with maturity of three months or longer held as at 31 December 2013 are as follows:

(Thousands of United States dollars)

	As at 31 December 2013		*As at 31 December 2012*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	520 064	519 438	525 819	523 311
Commercial paper and discount notes[a]	124 938	124 943	24 971	24 972
Total	**645 002**	**644 381**	**550 790**	**548 283**
Of which:				
Maturing within one year	361 131	360 696	237 024	236 635
Maturing after one year	283 871	283 685	313 766	311 648
Total	**645 002**	**644 381**	**550 790**	**548 283**

[a] Financial instruments with maturity longer than three months.

UNFPA classified all its investments as held to maturity. These assets are carried at amortized cost calculated using the effective interest method. The market value of these assets shown in the present note is based on quoted market prices from reputable vendors. UNFPA had no impaired investments during the year. UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and investments, are discussed in note 25.

Of the total investments of $644.4 million, $291.5 million are restricted in use as follows:

- Operational reserve $91.7 million
- Funding for employee benefits liability $157.2 million
- Private endowment trust $37.6 million
- Reserve for field accommodation $5.0 million

The average maturity of the UNFPA investment portfolio as at 31 December 2013 is 10.7 months. The average maturity as at 31 December 2012 was 9.1 months.

In 2013 the average yield on the investment portfolio was 0.8 per cent. In 2012, the average yield on investments was 1.0 per cent.

Movements of investments during 2013 were as follows:

(Thousands of United States dollars)

	Commercial paper and discount notes		*Bonds*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*
Opening balance	**24 972**	**19 982**	**523 311**	**531 573**	**548 283**	**551 555**
Add: Purchases	164 764	74 920	240 738	438 091	405 502	513 011
Less: Maturities	(65 000)	(70 000)	(237 716)	(439 002)	(302 716)	(509 002)
Amortization	207	70	(6 895)	(7 351)	(6 688)	(7 281)
Closing balance	**124 943**	**24 972**	**519 438**	**523 311**	**644 381**	**548 283**

The book values of bonds as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2013		*As at 31 December 2012*	
Bonds	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Obligations of commercial banks	68 394	68 366	70 261	70 298
Non-United States sovereign obligations	91 120	90 854	52 294	51 926
Supranational organizations	225 274	225 200	247 477	246 752
United States government and agency obligations	15 007	15 009	–	–
Corporate bonds	109 729	109 474	155 787	154 335
Municipals	10 540	10 535	–	–
Total	**520 064**	**519 438**	**525 819**	**523 311**

Note 5
Inventories

Inventories held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012*
Reproductive health goods, of which:	42 460	32 697
In transit	29 193	26 256
In stock	13 267	6 441
Property, plant and equipment-like inventory in transit	4 099	3 046
Total inventory	**46 559**	**35 743**

Inventory in transit as at the reporting date represents items procured internationally, under control of UNFPA, not held in identifiable premises and not yet physically handed over to the beneficiaries or implementing partners.

The inventory movements during 2013 are summarized as follows:

(Thousands of United States dollars)

Inventory held as at 1 January 2013	**35 743**
Additions	157 586
Issues	(146 655)
Inventory written-off/adjustments	(115)
Inventory held as at 31 December 2013	**46 559**

Note 6
Contributions receivable, prepayments and other assets

(a) Contributions receivable

Contributions receivable as at 31 December 2013 are as follows:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012*
Non-exchange transactions		
Contributions receivable (current)	213 980	127 508
Unearmarked resources	3 299	2 745
Earmarked resources[a]	210 681	124 763
Contributions receivable (non-current)	71 513	50 276
Unearmarked resources	–	–
Earmarked resources[a]	71 513	50 276
Exchange transactions		
Contributions receivable (current)	10	237
Contributions receivable (non-current)	–	–
Total	**285 503**	**178 021**

[a] Earmarked contributions receivable as at 31 December 2013 comprise co-financing of $280.9 million and Junior Professional Officers programme of $1.3 million (as at 31 December 2012 $173.8 million and $1.2 million, respectively).

Contributions receivable are presented net of allowance for doubtful accounts. Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. These transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, the procurement activities on behalf of third parties are currently the only exchange transactions. Non-exchange transactions are those transactions for which UNFPA does not receive approximately equal value for goods/services it provides. UNFPA unearmarked and earmarked contributions are classified as non-exchange transactions. The distinction between current and non-current receivables is based on the due date. Current contributions receivable

are expected to be collected within 12 months from the reporting date and non-current receivables are expected to be collected after that date.

Contributions receivable from unearmarked resources represent amounts committed in current and prior years but not yet collected by the end of the reporting period. Contributions receivable from earmarked resources mainly relate to amounts that will become due and are to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

Details of non-exchange contributions receivable as at 31 December 2013 are as follows:

(Thousands of United States dollars)

	As at 31 December 2013		*As at 31 December 2012*	
	Unearmarked	*Earmarked (co-financing)*	*Unearmarked*	*Earmarked (co-financing)*
2009			233	
2010	278	–	287	–
2011	181	–	230	–
2012	195	1 115	2 230	7 297
2013	2 925	105 569	–	–
Contributions receivable	**3 579**	**106 684**	**2 980**	**7 297**
Adjustment for unrealized exchange losses	(2)	–	(2)	–
Allowance for doubtful account	(278)	–	(233)	–
Contributions receivable not yet due as at 31 December	–	174 210	–	166 496
Total	**3 299**	**280 894**	**2 745**	**173 793**

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is detailed respectively in schedules A and B (these schedules do not include the allowances for doubtful accounts).

Allowance for doubtful contributions receivable

The movement in the allowance for doubtful contributions receivable in 2013 is summarized as follows:

(Thousands of United States dollars)

	2013	*2012*
Allowance at 1 January	**(233)**	**(281)**
Contributions receivable for which collection is now considered doubtful	(278)	(233)
Contributions receivable written off	227	210
Recoveries of contributions receivable for which collection was previously considered doubtful	6	71
Allowance at 31 December	**(278)**	**(233)**

(b) Prepayments and other current and non-current assets

Prepayments and other current and non-current assets comprise the following:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012 (Restated)*
Prepayments and other current assets		
Advances to staff	3 804	3 616
Accrued interest	3 264	3 261
Prepayments	2 512	2 933
Miscellaneous accounts receivable	4 752	4 495
Due from other United Nations agencies	403	–
Receivables from procurement activities	143	3 516
Less allowance for doubtful accounts receivable	(113)	(461)
Total	**14 765**	**17 360**
Other non-current assets		
Long term receivables	11	–
Total	**11**	**–**

Note 7
Operating fund advances

Operating fund advances by category of implementing partner are as follows:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012*
Governments	9 508	6 315
Intergovernmental institutions and NGOs	3 906	2 971
United Nations agencies	1 785	4 461
Less allowance for doubtful advances	(53)	(52)
Total	**15 146**	**13 695**

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Land		*Buildings*		*Furniture and fixtures*		*Information and communications technology equipment*		*Vehicles*		*Leasehold improvements*		*Assets under construction and not yet available for use*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
Cost																
As at 1 January (restated)	227	227	8 330	8 279	4 065	3 608	15 744	16 461	27 584	29 118	3 751	3 352	1 725	48	61 426	61 093
Additions	–	–	478	57	604	917	2 405	2 565	4 276	3 779	742	557	956	1 725	9 461	9 600
Disposals	–	–	–	(6)	(211)	(460)	(1 985)	(3 282)	(2 885)	(5 313)	(50)	(158)	–	(48)	(5 131)	(9 267)
Impairment	–	–	–	–	–	–	–	–	(4)	–	–	–	–	–	(4)	–
Adjustments/reclassifications	–	–	1 100	–	(413)	–	412	–	672	–	50	–	(1 725)	–	96	–
As at 31 December	**227**	**227**	**9 908**	**8 330**	**4 045**	**4 065**	**16 576**	**15 744**	**29 643**	**27 584**	**4 493**	**3 751**	**956**	**1 725**	**65 848**	**61 426**
Accumulated depreciation																
As at 1 January (restated)	–	–	660	383	1 776	1 562	10 097	11 041	16 356	16 615	1 112	487	–	–	30 001	30 088
Depreciation charges	–	–	320	277	556	497	2 439	2 111	4 425	4 180	814	678	–	–	8 554	7 743
Disposals	–	–	–	–	(129)	(283)	(1 874)	(3 055)	(2 521)	(4 439)	(24)	(53)	–	–	(4 548)	(7 830)
Adjustments/reclassifications	–	–	–	–	(53)	–	3	–	52	–	(2)	–	–	–	–	–
As at 31 December	**–**	**–**	**980**	**660**	**2 150**	**1 776**	**10 665**	**10 097**	**18 312**	**16 356**	**1 900**	**1 112**	**–**	**–**	**34 007**	**30 001**
Net book value as at 1 January	**227**	**227**	**7 670**	**7 896**	**2 289**	**2 046**	**5 647**	**5 420**	**11 228**	**12 503**	**2 639**	**2 865**	**1 725**	**48**	**31 425**	**31 005**
Net book value as at 31 December	**227**	**227**	**8 928**	**7 670**	**1 895**	**2 289**	**5 911**	**5 647**	**11 331**	**11 228**	**2 593**	**2 639**	**956**	**1 725**	**31 841**	**31 425**

A physical count of assets was performed and the results reconciled to the asset values in the asset register as at 31 December 2013. This physical count and the corresponding asset value are certified by both headquarters and the country offices.

Assets under construction primarily pertain to premises in Brazil, Niger and Bhutan and property, plant and equipment items in transit as at the reporting date ($0.3 and $0.7 million respectively). Assets under construction and not yet available as at the end of 2012 ($1.7 million) were completed and put in service by 31 December 2013 and are presented in their respective categories. The value of outstanding commitments for capital purchases as at 31 December 2013 is $1.3 million. As at 31 December 2013, the cost of fully depreciated property, plant and equipment items, which were still in use, amounted to $16.4 million ($13.4 million in 2012).

Note 9
Intangibles

Intangible assets owned by UNFPA as at 31 December 2013 consist of internally developed and purchased software as follows:

(Thousands of United States dollars)

	Software		*Software under development*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*
Cost						
As at 1 January	–	–	–	–	–	–
Additions	96	–	59	–	155	–
Disposals	–	–	–	–	–	–
As at 31 December	**96**	**–**	**59**	**–**	**155**	**–**
Accumulated amortization						
As at 1 January	–	–	–	–	–	–
Amortization charges	18	–	–	–	18	–
Disposals	–	–	–	–	–	–
As at 31 December	**18**	**–**	**–**	**–**	**18**	**–**
Net book value as at 1 January	**–**	**–**	**–**	**–**	**–**	**–**
Net book value as at 31 December	**78**	**–**	**59**	**–**	**137**	**–**

Note 10
Accounts payable and accruals

Accounts payable and accruals comprise the following:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012 (Restated)*
Accounts payable	23 337	15 407
Accrual liability	27 540	32 771
Administrative agent payable	36 096	64 146
Advance from procurement activities	13 653	8 175
Due to United Nations agencies	22 452	122 873
Operating fund payable	6 746	3 004
Payable in respect of unspent balances on expired funds	3 640	4 841
Total	**133 464**	**251 217**

"Administrative agent payable" refers to amounts received and administered by UNFPA for programme activities to be implemented by a pool of United Nations system organizations and to be distributed based on an agreed programme of work.

"Due to United Nations agencies" refers mainly to amounts owed to UNDP in respect of services provided by it to UNFPA for administrative efficiency and in order to leverage the common enterprise resource planning system. Such services are governed by service level agreements that, inter alia, determine the service cost structure.

Note 11
Finance lease liability

UNFPA did not have any commercial finance leases as at 31 December 2013.

Note 12
Employee benefits

Employee benefits liabilities reflect liabilities for accumulated annual leave, home leave, repatriation benefits, after-service health insurance and other benefits, as shown below.

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012 (Restated)*
Current employee benefits liabilities		
Short-term benefits		
Accumulated annual leave	21 744	20 454
Accumulated home leave	3 408	2 900
Post-employment benefits		
Repatriation benefits (inactive staff)[a]	374	546
Repatriation benefits (active staff)	3 706	1 918
After-service health insurance	2 215	2 497
Total, current employee benefits liabilities	**31 447**	**28 315**
Non-current employee benefits liabilities		
Repatriation benefits (active staff)	20 700	19 932
After-service health insurance	207 184	225 023
Total, non-current employee benefits liabilities	**227 884**	**244 955**
Total, employee benefits liabilities	**259 331**	**273 270**

[a] Inactive staff are those who had already separated from UNFPA by the reporting date.

Accumulated annual leave

Upon end of service, staff members holding fixed-term or continuing appointments may commute accumulated unused annual leave days up to a maximum of 60 working days. UNFPA values this liability through the actual computation of accumulated days of annual leave unused as at the reporting date based on the salary scale as at that date, without discounting.

Accumulated home leave

This liability represents the accumulated amount of the anticipated travel costs for eligible staff and their dependants for their next home leave as at the reporting date. It is accrued as service is rendered, is not discounted and cannot be compensated upon end of service.

Post-employment benefits

The liabilities for repatriation benefits for active staff and for after-service health insurance coverage were determined on the basis of an actuarial valuation as at 31 December 2013, which was undertaken by an independent, qualified actuarial firm.

Repatriation benefits

Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

The major assumptions used by the actuary for determining the repatriation benefits liability as at 31 December 2013 were a discount rate of 4 per cent, annual salary increase ranging from 5.5 per cent to 8.4 per cent (4 per cent to 6.9 per cent in 2012) based on age and category of staff members and travel cost increase of 2.5 per cent per annum (2.5 per cent in 2012).

On the basis of these assumptions, the present value of the accrued liability for repatriation benefits for active staff as at 31 December 2013 was estimated at $24.4 million.

A full provision has been made for those ex-staff members who at the end of 2013 have not as yet claimed their repatriation entitlements but for which the organization remains liable.

After-service health insurance

Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of UNFPA, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance.

The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2013 were a discount rate of 5.01 per cent and health-care cost escalation rates of 7.3 per cent in 2013 for United States medical plans for non-Medicare plans, 6.3 per cent for Medicare plans, grading down to 4.5 per cent in a period of 10 years, and a 5 per cent flat rate for non-United States medical plans. The dental cost trend rate was 5 per cent in 2013, grading down to 4.5 per cent in a period of 10 years. Retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. For comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2012 were a discount rate of 4 per cent and health-care cost escalation rates of 7 per cent in 2013 for United States medical plans and 8 per cent for non-United States medical plans, grading down to 4.5 per cent in 2027 and later years for both United States and non-United States medical plans. In determining the valuation of the organizations residual after-service health insurance liability, contributions from all plan participants are considered. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff are also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

These ratios require that the organization's share of costs shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired

staff participates in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

On the basis outlined above, the present value of the accrued liability for after-service health insurance as at 31 December 2013, net of contributions from plan participants, was as follows:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012 (Restated)*
Gross liability	327 154	359 694
Offset from contributions made by plan participants	(117 755)	(132 174)
Net liability	**209 399**	**227 520**

Further to the assumptions above, it is estimated that the present value of the net liability would increase by 22 per cent or decrease by 17 per cent should assumed medical care costs be increased or decreased by 1 per cent, respectively, all other assumptions being constant. Similarly, it is estimated that the accrued liability would increase by 24 per cent or decrease by 19 per cent should the discount rate be decreased or increased by 1 per cent, respectively, all other assumptions being constant.

Actuarial valuation

Liabilities arising from after-service health insurance and end-of-service benefits (repatriation benefits) are determined by consulting independent actuaries. Actuarial assumptions are required to be disclosed in the financial statements. The census data as at 30 September 2013 was used to establish the obligation as at 31 December 2013.

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payments required to settle the obligation resulting from employee service rendered in the current and prior periods. The actuary has used the spot rates from the Citigroup Pension Discount Curve as the basis for determining the discount rate for the actuarially valued defined benefit plans.

The actuarial valuation also includes actuarial gains and losses resulting from changes in the major assumptions used by the actuary since the previous valuation. Another factor affecting the actuarial valuation is the contributions made by the plan participants. These contributions, identified in the table below as "net of participant contributions" are deducted from the overall liability to determine the residual obligation of UNFPA.

IPSAS requires that all assumptions such as discount rate and health-care cost trend assumption are based on the same underlying inflation rate assumption. The inflation rate assumption of 2.5 per cent was used in the 31 December 2013 actuarial valuation consistent with 2012 actuarial expectations.

The 31 December 2013 obligations, annual expense and contributions were based on projections from the 31 December 2012 valuation with adjustments for the change in the discount rate at year end. Minor differences between the actual annual

expenses costs of UNFPA and the projections in the actuarial report were noted and adjusted for in the statement of financial performance.

The change in the after-service health insurance and repatriation benefits liability during 2013 is due to the following effects:

(Thousands of United States dollars)

Post-employment benefit liabilities	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2012	**201 555**	**21 850**	**223 405**
Additional group of staff members	25 965	–	25 965
As at 31 December 2012 (restated)	**227 520**	**21 850**	**249 370**
Expenses recognized in 2013			
Current service cost	12 326	1 246	13 572
Interest cost	9 050	835	9 885
Total, expenses recognized in 2013	**21 376**	**2 081**	**23 457**
Benefits paid (net of participant contributions)	(2 547)	(1 956)	(4 503)
Actuarial (gain)/loss	(36 950)	2 431	(34 519)
As at 31 December 2013	**209 399**	**24 406**	**233 805**

"Current service cost" is the increase in liability resulting from benefits vested to employees through services in 2013. "Interest cost" is the increase resulting from future employee benefits being closer to settlement. "Benefits paid" corresponds to disbursement of employee benefits in the current year. "Actuarial gains or losses" arise when the actuarial assessment differs from the long-term expectation on the obligations. They result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

The overall actuarial gain recorded in 2013 due to an increase in the discount rate used for the actuarial valuation of after-service health insurance is recognized directly as a change in net assets (statement III).

(Thousands of United States dollars)

Actuarial losses (gains)	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2012 (restated)	96 050	2 094	98 144
Current period	(36 950)	2 431	(34 519)
As at 31 December 2013	**59 100**	**4 525**	**63 625**

Funding for employee benefit liabilities

As at 31 December 2013, the unfunded portion of after-service health insurance and other staff benefit liabilities was as follows:

(Thousands of United States dollars)

	As at 31 December 2013		
Funding of employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	209 399	147 796	61 603
Repatriation benefits	24 780	1 365	23 415
Annual leave	21 744	7 746	13 998
Home leave	3 408	291	3 117
Total	**259 331**	**157 198**	**102 133**

In 2013, the liability has been funded as follows:

- Transfers from fund balances otherwise available for programming of $12.0 million
- Interest earned on the already-funded portion of the after-service health insurance liability of $1.0 million
- Cost accrual for after-service health insurance (net of payment of premiums), repatriation benefits, annual leave and home leave resulting from payroll charges made during 2013 of $8.8 million

(Thousands of United States dollars)

	As at 31 December 2012 (Restated)	*Increase/ (decrease) in liability*	*Net increase/ (decrease) in funding*	*As at 31 December 2013*
	Unfunded liability			*Unfunded liability*
After-service health insurance	96 123	(18 121)	16 399	61 603
Repatriation benefits	21 850	2 384	819	23 415
Annual leave	17 183	1 290	4 475	13 998
Home leave	2 697	508	88	3 117
Total	**137 853**	**(13 939)**	**21 781**	**102 133**

Pension benefits

UNFPA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan.

As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, UNFPA is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the UNFPA

share of the related net liability/asset position of the United Nations Joint Staff Pension Fund is not reflected in the financial statements.

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UNFPA to the United Nations Joint Staff Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the Assembly had not invoked this provision.

The actuarial valuation as at 31 December 2011 revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2011 was 25.57 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower-than-expected investment experience in recent years.

As at 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the United Nations Joint Staff Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2011, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of preparation of the present report, the General Assembly had not invoked the provision of article 26.

In its report on its fifty-ninth session, in July 2012, the United Nations Joint Staff Pension Board noted that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Regulations of the Pension Fund was approved by the General Assembly in December 2013. The increase in the normal retirement age will be reflected in the actuarial valuation of the Fund as of 31 December 2013.

During 2013, contributions paid to the United Nations Joint Staff Pension Fund amounted to $28.1 million ($26.4 million in 2012).

The Board of Auditors carries out an annual audit of the United Nations Joint Staff Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments (available at www.unjspf.org).

Note 13
Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue comprise the following:

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012 (Restated)*
Current		
Other current liabilities	1 773	307
Deferred revenue	616	12 083
Total	**2 389**	**12 390**
Non-current		
Deferred revenue	5 884	6 331
Total	**5 884**	**6 331**

Deferred revenue includes the unamortized portion of the donated right to use premises — finance similar ($5.0 million), contribution to regular resources received in advance ($0.2 million) and $1.3 million for the value of the rent-free period given by the landlord of UNFPA headquarters in New York.

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Note 14
Unearmarked resources — Movements in reserves and fund balances

(Thousands of United States dollars)

	Undesignated fund balance		*Designated fund balances*						*2013*	*2012 (Restated)*
	Programmable fund balance	*After-service health insurance and staff benefits fund*	*Procurement services*	*Cost recovery*	*Private endowment trust*	*Total fund balance*	*Operational reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
		(Note 12)	*(Note 14 (a))*	*(Note 14 (b))*	*(Note 14 (c))*		*(Note 14 (d))*	*(Note 14 (e))*		
Balance as at 31 December (restated)	62 613	(137 853)	1 844	2 748	38 462	(32 186)	87 204	6 100	61 118	97 738
Net excess/(shortfall) of revenue over expenditure	162	(10 799)	2 125	–	(856)	(9 368)	–	(2 252)	(11 620)	(13 208)
Changes in allocations										
After-service health insurance and staff-related benefits fund	(12 000)	12 000	–	–	–	–	–	–	–	–
Transfers within reserves										
To reserve for field accommodation	(1 152)	–	–	–	–	(1 152)	–	1 152	–	
To operational reserve	(4 456)	–	–	–	–	(4 456)	4 456	–	–	–
Transfers within UNFPA resources	(4 834)	–	1 124	3 110	–	(600)	–	–	(600)	533
Other adjustments to resource balances										
After-service health insurance and repatriation benefits	–	34 519	–	–	–	34 519	–	–	34 519	(23 945)
Balance as at 31 December 2013	**40 333**	**(102 133)**	**5 093**	**5 858**	**37 606**	**(13 243)**	**91 660**	**5 000**	**83 417**	**61 118**
Net total		**(61 800)**			**48 557**			**96 660**		

For the purpose of determining the balance of unused resources to be distributed to programme activities in 2014 the following adjustments need to be made to the fund balance represented in the table above to align with the budgetary basis: undepreciated property, plant and equipment net of unamortized donated rights to use finance lease similar ($24.7 million), inventory ($7.5 million), outstanding advances issued under sector-wide approach modality ($1.7 million) and other internally restricted amounts ($0.3 million). The distributable balance therefore amounts to $6.1 million.

Distinction between designated and undesignated fund balances: "designated" refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming; "undesignated" refers to the remaining portion of the resource balance.

(a) Procurement services

As at 31 December 2013 an amount of $5.1 million had been set aside to facilitate resource planning in future years, representing the cumulative excess of procurement handling fee over procurement expenses.

(b) Cost recovery

Starting in the 2012-2013 institutional budget period, cost recoveries in excess of budget are retained in a separate fund that is utilized by UNFPA management to cover, inter alia, those types of cost that are associated with the implementation of projects. As at 31 December 2013 the fund balance was $5.8 million.

(c) Private endowment fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $37.6 million comprises the principal of $33.7 million plus subsequent cumulative interest earned of $5.7 million less cumulated expenses for activities of $1.8 million. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or his heirs for any potential liability in the event of a valid claim against the estate.

(d) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. This level of operational reserve was incorporated within the UNFPA Financial Regulations and Rules endorsed by the Executive Board and set at 20 per cent of unearmarked resources contribution revenue for each year of the UNFPA workplan.

In the year ended 31 December 2013, given net contribution revenue of $458.3 million, the operational reserve was $91.7 million, as also shown in statement I.

(e) Reserve for field accommodation

At its thirty-eighth session, in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5.0 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenses incurred in 2013 were $2.3 million, including $0.2 million related to transfer of net book value of property to undesignated funds. As at 31 December 2013, $1.2 million had been transferred from unexpended resources to replenish the reserve for field accommodation.

Note 15
Contribution revenue

Contribution revenue for 2013 is as follows:

(Thousands of United States dollars)

	2013	*2012*
Unearmarked (core) contributions	459 999	437 499
Less: transfers to other revenue for reimbursement of tax charges	(2 931)	(3 293)
Subtotal	**457 068**	**434 206**
Contributions earmarked for:		
Cofinancing	472 724	505 241
Junior Professional Officers	3 988	5 230
Contributions in kind	313	24
Less: refunds to donors	(6 378)	(7 371)
Subtotal	**470 647**	**503 124**
Total	**927 715**	**937 330**

The breakdown of unearmarked and earmarked contributions by donor is detailed in schedules A and B, respectively. Earmarked contributions in this note are presented net of UNFPA indirect costs, which are shown in note 16, under other revenue.

"Contributions in kind" represent the value of goods received by UNFPA and utilized for its programmatic activities.

Note 16
Other revenue

Other revenue comprises the following:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2013	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*
Investment revenue	5 509	4 710	1 081	2 326	6 590	7 036
Fees for support services	27 261	23 149	2 892	2 146	30 153	25 295
Net currency revaluation adjustments and gains/(losses) on exchange — contributions receivable	(1 394)	(1 206)	1 966	3 094	572	1 888
Net currency revaluation adjustments and gains/(losses) on exchange — others	–	8 189	–	(1 394)	–	6 795
Revenue earmarked for procurement activities	–	–	4 369	861	4 369	861
Premises occupied based on donated right to use — operating lease similar	3 146	3 662	–	–	3 146	3 662
Premises occupied based on donated right to use — finance lease similar	181	181	–	–	181	181
Reimbursement of tax charges	2 931	3 293	–	–	2 931	3 293
Miscellaneous revenue	934	999	176	921	1 110	1 920
Total	**38 568**	**42 977**	**10 484**	**7 954**	**49 052**	**50 931**

Revenue and expense (see note 18) in the amount of $3.1 million was recognized for the donated right to use (operating lease similar) premises occupied in 2013 by UNFPA under this type of agreement, based on the annual rental value of similar premises as calculated by an external independent consultant.

Revenue and a depreciation charge of $0.2 million were recognized with regard to the donated right to use (finance lease similar) premises occupied by UNFPA in 2013 under this type of agreement, based on the asset valuation provided by an external independent consultant.

Note 17
Expenses by implementing agent

Total expenses as presented in statement II can be further detailed into funds utilized directly by UNFPA and funds utilized by implementing partners, such as Governments, non-governmental organizations and other United Nations system organizations as follows:

(Thousands of United States dollars)

	2013	*2012 (Restated)*
Governments	113 126	113 580
Non-governmental organizations	102 627	85 329
United Nations agencies	5 822	3 642
UNFPA	691 765	628 670
Total expenses	**913 340**	**831 221**

In 2013, 28.2 per cent of programme activities were implemented by Governments and non-governmental organizations (29.5 per cent in 2012).

Note 18
Expenses by nature

Total expenses as presented in statement II can be further detailed "by nature", or type of resource utilized by the organization, as follows:

(Thousands of United States dollars)

	2013	*2012 (Restated)*
Staff costs		
Staff salaries	147 606	142 482
Pension contributions	28 573	26 669
Other employee benefit costs	74 141	69 132
Subtotal, staff costs	**250 320**	**238 284**
Reproductive health and other programme-related goods		
Reproductive health goods	152 176	117 576
Other programme-related goods	11 978	9 948
Subtotal, reproductive health and other programme-related goods	**164 154**	**127 524**
Development and training of counterparts	90 483	70 253
Subtotal, development and training of counterparts	**90 483**	**70 253**
Supplies, materials and operating costs		
Supplies and materials	23 214	19 622
Rent, repairs and maintenance	32 855	33 646
Printing, publications and media	38 244	31 066
Transportation and distribution	24 438	17 470
Other operating costs	37 548	37 207
Subtotal, supplies, materials and operating costs	**156 299**	**139 012**

	2013	2012 (Restated)
Contracted and professional services		
Contracted and professional services with individuals	98 013	105 146
Contracted and professional services with companies	50 839	55 523
United Nations Volunteers expenses for contracted services	3 153	2 983
Subtotal, contracted and professional services	**152 005**	**163 652**
Finance costs (mainly bank charges)	704	496
Subtotal, finance costs	**704**	**496**
Travel	85 256	78 850
Subtotal, travel	**85 256**	**78 850**
Depreciation and amortization		
Depreciation	8 554	7 743
Amortization	18	–
Subtotal, depreciation and amortization	**8 572**	**7 743**
Impairment		
Impairment of fixed assets	4	–
Subtotal, impairment	**4**	**–**
Other expenses		
Premises occupied based on donated right to use	3 146	3 662
Transfers and gains/losses from disposal of fixed assets	394	1 182
Net currency revaluation adjustments and losses on exchange — others	1 906	–
Doubtful accounts expenses	134	588
Other	(37)	(26)
Subtotal, other expenses	**5 543**	**5 407**

Note 19
Unearmarked resources — programme activities by country and region and institutional budget

(a) Total expenses for programme activities by country and region

(Thousands of United States dollars)

	2013	2012 (Restated)
Western and central Africa		
Country projects		
Benin	2 202	2 397
Burkina Faso	3 355	3 495
Cameroon	3 901	2 986
Cabo Verde	980	1 314
Central African Republic	2 659	2 373
Chad	3 966	3 905
Congo	2 313	1 725
Côte d'Ivoire	5 575	5 039
Equatorial Guinea	589	1 800
Gabon	869	969
Gambia	1 047	1 913
Ghana	3 055	2 595
Guinea	2 729	2 667
Guinea-Bissau	1 653	1 538
Liberia	2 746	2 415
Mali	2 556	2 269
Mauritania	1 896	2 957
Niger	3 790	3 409
Nigeria	7 966	7 963
Sao Tome and Principe	553	652
Senegal	2 310	2 927
Sierra Leone	2 797	2 425
Togo	1 392	1 554
Subtotal, country projects	**60 899**	**61 287**
Regional projects	4 901	1 016
Total	**65 800**	**62 303**
Eastern and southern Africa		
Country projects		
Angola	3 571	2 711
Botswana	1 388	1 460
Burundi	2 133	1 813

	2013	2012 (Restated)
Comoros	1 032	1 219
Democratic Republic of the Congo	8 136	7 974
Eritrea	1 409	1 637
Ethiopia	5 704	5 620
Kenya	4 348	4 897
Lesotho	1 531	1 829
Madagascar	3 155	3 561
Malawi	3 083	3 130
Mauritius	76	181
Mozambique	3 628	4 624
Namibia	1 556	1 765
Rwanda	3 362	4 199
Seychelles	58	51
South Africa	1 843	2 173
South Sudan	3 792	2 868
Swaziland	1 469	1 602
Uganda	6 458	6 549
United Republic of Tanzania	4 182	4 117
Zambia	3 220	4 052
Zimbabwe	3 583	4 040
Subtotal, country projects	**68 717**	**72 072**
Regional projects	5 543	8 570
Total	**74 260**	**80 642**
Arab States		
Country projects		
Algeria	464	423
Djibouti	696	719
Egypt	2 010	2 704
Iraq	3 103	2 560
Jordan	633	1 706
Lebanon	1 117	961
Libya	699	751
Morocco	1 437	1 217
Oman	209	141
State of Palestine	2 078	2 367
Somalia	3 553	2 478
Sudan	4 324	4 189

	2013	*2012 (Restated)*
Syrian Arab Republic	2 941	1 900
Tunisia	567	739
Yemen	2 480	2 251
Subtotal, country projects	**26 311**	**25 106**
Regional projects	4 768	3 851
Total	**31 079**	**28 957**
Asia and the Pacific		
Country projects		
Afghanistan	6 335	6 033
Bangladesh	7 397	2 552
Bhutan	1 218	1 524
Cambodia	4 309	3 574
China	3 988	4 552
Democratic People's Republic of Korea	643	1 196
India	9 206	12 511
Indonesia	5 133	6 027
Iran (Islamic Republic of)	1 527	1 417
Lao People's Democratic Republic	2 637	1 798
Malaysia	424	446
Maldives	598	572
Mongolia	2 734	1 926
Myanmar	10 492	5 742
Nepal	3 427	4 154
Pacific multi-islands[a]	4 294	2 824
Pakistan	4 777	6 150
Papua New Guinea	2 377	1 979
Philippines	8 308	5 747
Sri Lanka	1 646	3 341
Thailand	1 777	1 771
Timor-Leste	1 845	2 594
Viet Nam	4 760	2 398
Subtotal, country projects	**89 852**	**80 828**
Regional projects	6 630	7 683
Total	**96 482**	**88 511**

	2013	2012 (Restated)
Latin America and the Caribbean		
Country projects		
Argentina	709	751
Bolivia (Plurinational State of)	1 497	1 597
Brazil	2 047	1 808
Caribbean, English- and Dutch-speaking[b]	3 074	3 334
Chile	212	276
Colombia	1 596	1 686
Costa Rica	683	761
Cuba	718	873
Dominican Republic	807	744
Ecuador	1 192	1 031
El Salvador	1 098	1 015
Guatemala	1 685	1 476
Haiti	3 523	3 094
Honduras	1 407	1 596
Mexico	1 247	1 393
Nicaragua	1 369	1 576
Panama	574	694
Paraguay	758	803
Peru	1 898	2 012
Uruguay	916	802
Venezuela (Bolivarian Republic of)	1 319	1 252
Subtotal, country projects	**28 329**	**28 574**
Regional projects	5 843	5 407
Total	**34 172**	**33 981**
Eastern Europe and Central Asia		
Country projects		
Albania	547	664
Armenia	596	614
Azerbaijan	727	710
Belarus	317	441
Bosnia and Herzegovina	413	412
Bulgaria	–	26
Georgia	653	690
Kazakhstan	650	581
Kosovo	268	287
Kyrgyzstan	846	894

	2013	2012 (Restated)
Republic of Moldova	428	544
Romania	–	212
Russian Federation	739	747
The former Yugoslav Republic of Macedonia	259	220
Turkey	1 355	1 410
Ukraine	690	619
Serbia	146	197
Tajikistan	805	885
Turkmenistan	688	726
Uzbekistan	1 365	1 163
Subtotal, country projects	**11 492**	**12 042**
Regional projects	5 653	4 401
Total	**17 145**	**16 443**
Global programme and other headquarters activities	46 139	44 430
Total programme expenses	**365 077**	**355 267**

[a] Figures for Pacific multi-islands comprise several islands which, for reporting purposes, are classified under one heading, including the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[b] Figures for Caribbean, English- and Dutch-speaking, comprise several countries and islands which, for reporting purposes, have been classified under one heading, including Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the Netherlands Antilles, Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

(b) Institutional budget

(Thousands of United States dollars)

	2013	2012 (Restated)
Gross expenses	138 787	134 151
Credits to the institutional budget:		
Indirect costs charged to other resources	(27 261)	(23 149)
Cost recovery in excess of budget (note 14 (b))	4 736	1 123
Procurement handling fee attributable to co-financing activities	2 125	1 626
Local governments contributions to country offices' costs	(310)	(318)
Total	**118 077**	**113 433**

Note 20
Provisions, contingent assets and contingent liabilities

As at 31 December 2013, UNFPA did not have any material provisions, contingent assets or contingent liabilities.

Note 21
Related parties disclosures

Relevant transactions with key management personnel are as follows:

(Thousands of United States dollars)

	Key management personnel				
	Number of individuals	*Compensation and post adjustment*	*Other entitlements*	*Pension plan and health benefits*	*Total remuneration*
2013	19	4 102	801	785	5 688
2012	20	3 560	634	674	4 868

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, shipment costs and employer pension and current health insurance contributions.

Key management personnel are also eligible for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund.

There were no loans or advances granted to key management personnel and their close family members which were not available to other categories of staff in accordance with the United Nations Staff Rules.

Note 22
Events after the reporting date

The UNFPA reporting date is 31 December 2013. These financial statements were signed and authorized for issuance by the Executive Director on 30 April 2014. As at the date of their authorization, no events have occurred since the reporting date that have materially impacted these financial statements.

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2013 and the biennium 2012-2013, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final projections of regular contributions to be received and prior year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

Reconciliation between the amount of actual expenses for the year 2013 presented in statement V, Comparison of budget to actual amounts for the year ended 31 December 2013 and for the biennium 2012-2013, and in statement IV, Cash flow statement for the year ended 31 December 2013 are shown below. Differences are due to "basis" differences and scope (or "entity") differences. Basis

differences are differences between the budgetary and the financial reporting basis of accounting. Entity differences represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget.

(Thousands of United States dollars)

	Operating activities	*Investing activities*	*Total*
Total actual expenses on budget comparable basis (statement V)	(482 635)	(9 012)	(491 647)
Basis differences	15 422	137	15 560
Entity differences	308 032	(90 204)	217 828
Net (decrease)/increase in cash and cash equivalents (statement IV)	**(159 181)**	**(99 079)**	**(258 260)**

Reconciliation between the actual surplus/deficit on a budgetary comparable basis (modified cash) and on financial reporting comparable basis (full accrual) is shown below. For revenue, the budget is based upon projections of contributions and estimates of unutilized resources from the previous year, while financial statements record contributions and other revenue as recognized on the full accrual basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventory.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	**25 811**
Difference between total revenue and final budgetary allocations	(25 250)
Difference between expenses on budgetary basis and accrual basis	(1 218)
Actual net (deficit)/surplus on financial reporting comparable basis for activities included in the scope of the budget	**(657)**

Note 24
Segment reporting

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: unearmarked resources and earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2013

UNFPA considers cash, cash equivalents and investments as "joint assets" between segments. It also considers selected accounts payable (i.e., inter-fund accounts) and employee benefits as "joint liabilities" between segments. Revenue and expenses related to these joint items are attributed to the segment in the normal course of operations. Therefore, in accordance with IPSAS, UNFPA attributed joint assets and liabilities to segments. Cash, cash equivalents and investments have been attributed based on the respective fund balances of the segments, while accounts payable and employee benefits have been attributed based on the respective percentage of posts.

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2013	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*
Assets						
Current assets						
Cash and cash equivalents	50 125	175 096	71 994	205 033	122 119	380 129
Investments maturing within one year	148 051	108 995	212 645	127 640	360 696	236 635
Inventories	7 559	6 697	39 000	29 046	46 559	35 743
Contributions receivable (exchange transactions)	–	–	10	237	10	237
Contributions receivable (non-exchange transactions)	3 299	2 745	210 681	124 763	213 980	127 508
Other prepayments and current assets	12 366	9 829	2 399	7 531	14 765	17 360
Operating fund accounts	4 665	7 266	10 481	6 429	15 146	13 695
Total	**226 065**	**310 628**	**547 210**	**500 679**	**773 275**	**811 307**
Non-current assets						
Property, plant and equipment	29 643	30 007	2 198	1 418	31 841	31 425
Investments maturing after one year	116 441	143 546	167 244	168 102	283 685	311 648
Contributions receivable (non-exchange transactions)	–	–	71 513	50 276	71 513	50 276
Intangible assets	137	–	–	–	137	–
Other non-current assets	11	–	–	–	11	–
Total	**146 232**	**173 553**	**240 955**	**219 796**	**387 187**	**393 349**
Total assets	**372 298**	**484 181**	**788 164**	**720 475**	**1 160 462**	**1 204 656**
Liabilities						
Current liabilities						
Accounts payable and accruals	44 956	154 045	88 508	97 172	133 464	251 217
Employee benefits	28 931	25 898	2 516	2 417	31 447	28 315
Other current liabilities and deferred revenue	(544)	11 624	2 933	766	2 389	12 390
Total	**73 344**	**191 567**	**93 956**	**100 355**	**167 300**	**291 922**
Non-current liabilities						
Employee benefits	209 653	225 165	18 231	19 790	227 884	244 955
Other non-current liabilities and deferred revenue	5 884	6 331	–	–	5 884	6 331
Total	**215 537**	**231 496**	**18 231**	**19 790**	**233 768**	**251 286**
Total liabilities	**288 881**	**423 063**	**112 187**	**120 145**	**401 068**	**543 208**
Net assets	**83 417**	**61 118**	**675 977**	**600 330**	**759 394**	**661 448**

	Unearmarked resources		*Earmarked resources*		*Total*	
	2013	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*
Reserves and fund balances						
Reserves						
Operational reserve	91 660	87 204	–	–	91 660	87 204
Reserve for field accommodation	5 000	6 100	–		5 000	6 100
Total reserves	**96 660**	**93 304**	**–**	**–**	**96 660**	**93 304**
Fund balances						
Designated unearmarked fund balances	48 557	43 055	–	–	48 557	43 055
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	(61 800)	(75 241)	–	–	(61 800)	(75 241)
Earmarked resources			675 977	600 330	675 977	600 330
Total fund balances	**(13 243)**	**(32 186)**	**675 977**	**600 330**	**662 734**	**568 144**
Total reserves and fund balances	**83 417**	**61 118**	**675 977**	**600 330**	**759 394**	**661 448**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2013

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Eliminations*[a]		*Total*	
	2013	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*
Contribution revenue								
Unearmarked contributions	459 999	437 499					459 999	437 499
Less: transfers to other revenue for reimbursement of tax charges	(2 931)	(3 293)					(2 931)	(3 293)
Subtotal	**457 068**	**434 206**					**457 068**	**434 206**
Earmarked contributions			504 471	533 644	(27 446)	(23 149)	477 025	510 495
Less: refunds to donors			(6 378)	(7 371)	–	–	(6 378)	(7 371)
Subtotal			**498 093**	**526 273**	**(27 446)**	**(23 149)**	**470 647**	**503 124**
Total contribution revenue	**457 068**	**434 206**	**498 093**	**526 273**	**(27 446)**	**(23 149)**	**927 715**	**937 330**
Other revenue	38 568	42 977	10 484	7 954	–	–	49 052	50 931
Total revenue	**495 636**	**477 183**	**508 577**	**534 227**	**(27 446)**	**(23 149)**	**976 767**	**988 261**
Expenses								
Staff costs	218 465	206 673	31 855	31 611	–	–	250 320	238 284
Reproductive health and other programme-related goods	15 339	13 764	148 815	113 760	–	–	164 154	127 524
Development and training of counterparts	42 382	34 345	48 286	35 908	(185)	–	90 483	70 253
Supplies, materials and operating costs	90 542	85 648	93 018	76 513	(27 261)	(23 149)	156 299	139 012
Contracted and professional services	77 925	91 759	74 080	71 893	–	–	152 005	163 652
Finance costs	281	319	423	177	–	–	704	496
Travel	49 660	46 099	35 596	32 751	–	–	85 256	78 850
Depreciation and amortization	8 069	7 179	503	564	–	–	8 572	7 743
Impairment	4	–	–	–	–	–	4	–
Other expenses	4 589	4 605	954	802	–	–	5 543	5 407
Total expenses	**507 256**	**490 391**	**433 530**	**363 979**	**(27 446)**	**(23 149)**	**913 340**	**831 221**
Surplus for the year	**(11 620)**	**(13 208)**	**75 047**	**170 248**	**–**	**–**	**63 427**	**157 040**

[a] The presentation in the present table reflects the gross performance of each segment and the eliminations column is therefore necessary to remove the effect of inter-segment activities.

Note 25
Financial risk management

UNFPA investment activities are carried out by UNDP under a service level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNFPA. Investments are registered in the name of UNFPA with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

- Safety: preservation of capital, provided through investing in high quality fixed-income securities emphasizing the creditworthiness of the issuers
- Liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-income securities and by structuring maturities to align with liquidity requirements
- Income: maximization of investment income within the foregoing safety and liquidity parameters

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions are in compliance with the established investment guidelines. UNFPA receives a detailed periodic investment performance report from UNDP which shows the composition and performance of the investment portfolio.

UNFPA is exposed to a variety of financial risks arising from financial instruments, including:

- Credit risk: the possibility that third parties may not pay amounts when due
- Liquidity risk: the likelihood that UNFPA might not have adequate funds to meet its current obligations
- Market risk: the possibility that UNFPA might incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities

Analysis of credit risk

UNDP investment guidelines limit the amount of credit exposure to any single counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereigns, supranational organizations, governmental or federal agencies and banks.

Credit ratings from the three leading credit rating agencies, Moody's, Standard and Poor's, and Fitch, are used to evaluate credit risk of financial instruments. As at 31 December 2013, UNFPA financial investments were in investment grade instruments as shown in the following table (presented using Standard and Poor's rating convention).

(Thousands of United States dollars)

	AAA		*AA+*		*AA-*		*A*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
Commercial paper and discount notes[a]	99 976	24 972	–	–	24 967	–	–	–	124 943	24 972
Bonds	327 622	467 491	110 604	41 605	65 974	14 215	15 238	–	519 438	523 311
Total	**427 598**	**492 463**	**110 604**	**41 605**	**90 941**	**14 215**	**15 238**	**–**	**644 381**	**548 283**

[a] Excludes investments classified as cash equivalents.

UNFPA credit exposure on outstanding contributions receivable is mitigated by the fact that programme activities do not commence until cash is received.

Analysis of liquidity risk

Investments are made with due consideration to UNFPA cash requirements for operating purposes based on cash flow forecasting. The investment approach includes consideration for investment maturity structuring that takes into account the timing of future funding needs of the organization. UNFPA maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due, as shown in the following table.

(Thousands of United States dollars)

	31 December 2013	*Percentage*	*31 December 2012*	*Percentage*
Cash balances	21 060	3	22 576	2
Cash equivalents	101 059	13	357 553	39
Subtotal	**122 119**	**16**	**380 129**	**41**
Current investments	360 696	47	236 635	25
Non-current investments	283 685	37	311 648	34
Subtotal	**644 381**	**84**	**548 283**	**59**
Total, investments, cash and cash equivalents	**766 500**	**100**	**928 412**	**100**

Analysis of market risk

Market risk encompasses interest rate risk, foreign exchange risk and other price risk.

Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on fair value of financial assets and liabilities and future cash flows. UNFPA is exposed to interest rate risk on its interest-bearing assets. UNFPA classifies its entire portfolio as held to maturity. These assets are not marked to market and therefore the carrying values are not impacted by changes in interest rates. Consequently, an

interest sensitivity analysis related to these investments would not disclose significant variations in value. The UNDP investment committee regularly monitors the rate of return on the investment portfolio compared to the benchmarks specified in the investment guidelines.

(Thousands of United States dollars)

	As at 31 December 2013	*As at 31 December 2012*
Held to maturity investments	644 381	548 283
Available for sale investments	–	–
Total	**644 381**	**548 283**

UNFPA invests in United States dollar denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2013, UNFPA had $45 million of outstanding floating rate fixed-income securities.

Foreign exchange risk

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

As at 31 December 2013, 98.3 per cent of UNFPA cash, cash equivalents and investments were denominated in United States dollars and 1.7 per cent were denominated in other currencies. Non-United States dollar holdings have the primary objective of supporting local operating activities in programme countries. UNFPA maintains a minimum level of cash and cash equivalents in local currencies, and whenever possible maintains accounts in United States dollars. All investments held as at 31 December 2013 were denominated in United States dollars.

(Thousands of United States dollars)

	In United States dollars		*In other currencies*		*Total*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*	*31 December 2013*	*31 December 2012*
Cash and cash equivalents	109 587	358 131	12 532	21 998	122 119	380 129
Investments	644 381	548 283	–	–	644 381	548 283
Total	**753 968**	**906 414**	**12 532**	**21 998**	**766 500**	**928 412**

UNFPA is exposed to foreign exchange risk arising primarily from contributions in currencies other than United States dollars. Foreign exchange risk to UNFPA is mitigated where contributions are received in local currency from programme country Governments and used to fund local expenditures.

The UNDP Treasury hedges, on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than United States dollars. UNFPA expenses for hedge premiums and exchange gains and losses are shown under "other revenue" (note 16). During 2013, contribution revenue in eight currencies was hedged.

The UNDP Treasury uses derivative instruments such as foreign exchange forwards, options, and structured options to manage foreign exchange exposure. Those derivatives are marked to market with gains or losses recognized in surplus or deficit in the statement of financial performance. As at 31 December 2013, UNFPA had no open derivative positions.

Other price risk

UNFPA is exposed to price risk arising from movement in the prices of financial instruments, which might fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

Note 26
Commitments

As at 31 December 2013, UNFPA commitments for the acquisition of various goods and services contracted but not received amounted to $43.1 million.

UNFPA contractual leases in the field are typically between one and five years. UNFPA also holds a longer-term operating lease for its headquarters, located in New York. UNFPA obligations for minimal lease payments as at 31 December 2013 were as follows:

(Thousands of United States dollars)

Undiscounted minimum lease payments	*As at 31 December 2013*	*As at 31 December 2012*
Less than one year	6 667	6 396
One to five years	21 694	21 082
More than five years	30 570	38 686
Total undiscounted minimum lease payments	**58 931**	**66 164**

Only leases with a cancellation notice of 30 days or more are included.

Schedules

Schedule A
Unearmarked contributions — status of contributions for the year ended 31 December 2013

(Thousands of United States dollars)

Donor	*Balance due to UNFPA as at 1 January 2013*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2013*
Andorra	–	–	13	–	–	13	–
Angola	–	–	5	–	–	5	–
Antigua and Barbuda	3	(1)	–	–	–	–	2
Argentina	2	–	5	–	–	5	2
Armenia	–	–	3	–	–	3	–
Australia	–	–	15 641	–	–	15 641	–
Austria	–	–	136	–	–	136	–
Bahamas	1	–	1	–	–	–	2
Bangladesh	–	–	25	–	–	25	–
Barbados	–	–	5	–	–	5	–
Belgium	–	–	7 432	–	–	7 432	–
Belize	3	–	–	–	–	–	3
Benin	7	–	8	–	–	14	–
Bolivia (Plurinational State of)	–	–	13	–	–	13	–
Brazil	70	(20)	–	–	–	–	50
Burkina Faso	17	–	19	39	–	58	17
Burundi	–	–	1	–	–	1	–
Cameroon	129	(46)	21	–	–	–	104
Canada	–	–	16 047	–	158	16 205	–
Central African Republic	3	(3)	–	–	–	–	–
Chile	–	–	5	–	–	5	–
China	–	–	1 200	–	–	1 200	–
Colombia	–	–	10	–	–	10	–

Schedule A
Unearmarked contributions — status of contributions for the year ended 31 December 2013 (continued)

Donor	*Balance due to UNFPA as at 1 January 2013*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains (losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2013*
Comoros	1	(1)	3	–	–	3	–
Cook Islands	1	–	1	–	–	–	2
Costa Rica	–	–	6	–	–	6	–
Côte d'Ivoire	–	–	20	40	–	60	–
Cuba	–	–	5	–	–	5	–
Czech Republic	–	–	25	–	–	25	–
Democratic People's Republic Korea	10	–	–	–	–	–	10
Democratic Republic of the Congo	186	(35)	–	–	–	–	151
Denmark	–	–	40 379	–	(977)	39 402	–
Djibouti	1	–	–	1	–	2	–
Dominican Republic	30	–	–	–	–	–	30
Egypt	–	–	97	–	–	97	–
El Salvador	3	–	3	–	–	3	3
Estonia	–	–	–	68	–	68	–
Ethiopia	–	–	3	–	–	3	–
Fiji	8	–	–	–	–	8	–
Finland	–	–	46 776	–	(323)	43 736	2 717
France	–	–	524	–	(13)	511	–
Gabon	9	–	500	–	1	510	–
Gambia	13	–	10	–	–	–	23
Georgia	–	–	20	–	–	20	–
Germany	–	–	23 988	–	–	23 988	–
Ghana	18	–	18	–	–	–	36
Guatemala	2	–	–	–	–	2	–
Guinea Bissau	4	(1)	–	–	–	–	3
Guyana	–	–	1	–	–	1	–

Schedule A
Unearmarked contributions — status of contributions for the year ended 31 December 2013 (continued)

Donor	*Balance due to UNFPA as at 1 January 2013*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains (losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2013*
Hungary	–	–	10	–	–	10	–
India	–	–	499	–	–	499	–
Indonesia	35	–	36	–	–	36	35
Iran (Islamic Republic of)	60	–	–	–	–	–	60
Ireland	–	–	3 959	–	–	3 959	–
Israel	–	–	40	–	–	40	–
Italy	–	–	1 294	–	10	1 304	–
Japan	–	–	24 910	–	–	24 910	–
Jordan	50	(50)	50	–	–	50	–
Kazakhstan	–	–	100	–	–	100	–
Kenya	10	–	10	–	–	10	10
Kuwait	–	–	10	–	–	10	–
Lao People's Democratic Republic	–	–	2	–	–	2	–
Lesotho	2	(2)	3	–	–	3	–
Liberia	40	(10)	–	–	–	–	30
Liechtenstein	–	–	26	–	–	26	–
Luxembourg	–	–	3 515	–	81	3 596	–
Madagascar	10	–	5	–	–	–	15
Malaysia	–	–	215	–	–	215	–
Maldives	10	–	5	–	–	–	15
Mali	24	–	–	–	–	24	–
Mauritius	–	–	3	–	–	3	–
Mexico	–	–	70	–	–	70	–
Micronesia (Federated States of)	–	–	3	–	–	3	–
Monaco	–	–	20	–	–	20	–
Mongolia	–	–	4	–	–	4	–

Schedule A
Unearmarked contributions — status of contributions for the year ended 31 December 2013 (continued)

Donor	*Balance due to UNFPA as at 1 January 2013*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2013*
Morocco	–	–	10	–	–	10	–
Mozambique	–	–	2	–	–	2	–
Nepal	–	–	6	–	–	–	6
Netherlands	–	–	52 356	–	657	53 013	–
New Zealand	–	–	5 054	–	–	5 054	–
Nicaragua	–	–	1	–	–	1	–
Niger	–	–	20	–	–	–	20
Norway	–	–	70 551	–	–	70 551	–
Oman	–	–	10	–	–	10	–
Panama	–	–	10	–	–	10	–
Papua New Guinea	17	(4)	5	–	–	–	18
Peru	–	–	2	–	–	2	–
Philippines	32	–	35	–	(1)	34	32
Poland	–	–	11	–	–	11	–
Qatar	–	–	30	–	–	30	–
Republic of Korea	–	–	100	–	–	100	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	–	–	1	–	–	–	1
Samoa	6	–	–	–	–	6	–
Sao Tome and Principe	9	–	9	19	–	28	9
Saudi Arabia	–	–	500	–	–	500	–
Senegal	38	(20)	18	–	(1)	17	18
Serbia	–	–	1	–	–	1	–
Seychelles	2	–	2	–	–	4	–
Sierra Leone	30	(8)	7	–	–	–	29

Schedule A
Unearmarked contributions — status of contributions for the year ended 31 December 2013 (continued)

Donor	*Balance due to UNFPA as at 1 January 2013*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2013*
Singapore	–	–	5	–	–	5	–
Slovakia	–	–	7	–	–	7	–
South Africa	–	–	49	–	(4)	45	–
Spain	1 948	–	400	–	15	2 363	–
Sri Lanka	–	–	18	–	–	18	–
State of Palestine	–	–	5	–	–	5	–
Suriname	4	(2)	–	–	–	–	2
Swaziland	10	–	10	–	–	10	10
Sweden	–	–	65 816	–	(557)	65 259	–
Switzerland	–	–	16 136	–	(15)	16 121	–
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	96	–	–	96	–
The former Yugoslav Republic of Macedonia	6	(1)	–	–	–	–	6
Togo	–	–	6	–	–	–	6
Trinidad and Tobago	5	–	5	–	–	5	5
Tunisia	–	–	16	–	–	16	–
Turkey	–	–	150	–	–	150	–
Turkmenistan	–	–	3	–	–	3	–
Tuvalu	12	(3)	–	–	–	9	–
Uganda	10	–	10	–	–	–	20
Ukraine	2	(1)	–	–	–	–	1
United Kingdom of Great Britain and Northern Ireland	–	–	31 515	–	(434)	31 080	–
United Arab Emirates	–	–	10	–	–	10	–
United Republic of Tanzania	1	(1)	4	–	–	–	4
United States of America	–	–	28 450	–	–	28 450	–

Schedule A

Unearmarked contributions — status of contributions for the year ended 31 December 2013 (continued)

Donor	*Balance due to UNFPA as at 1 January 2013*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December 2013*
Uruguay	30	(5)	25	–	–	20	30
Venezuela	10	(10)	–	–	–	–	–
Viet Nam	–	–	5	–	–	5	–
Yemen	33	(5)	25	–	–	50	3
Zambia	12	(4)	–	–	–	–	8
Zimbabwe	–	–	30	–	–	–	30
Procurement Services Branch	–	–	–	1	–	1	–
Private contributions and other	–	–	87	–	12	100	–
Subtotal	**2 980**	**(232)**	**459 689**	**168**	**(1 391)**	**457 636**	**3 579**
Government contribution to local office costs	–	–	310	–	–	310	–
Total	**2 980**	**(232)**	**459 999**	**168**	**(1 391)**	**457 946**	**3 579**
Adjustment for exchange gains/(losses) and other rounding adjustments	(2)						(2)
Contributions receivable as at 31 December	**2 978**						**3 577**

Note: Balances, adjustments, commitments for current year, payments and/or movements in contributions received in advance for less than $500 from Myanmar, Palau, Suriname and Uzbekistan are rounded to zero.

Schedule B

Earmarked contributions — co-financing revenue, expenses and fund balances for the year ended 31 December 2013

(Thousands of United States dollars)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances as at 31 December*	*Contribution receivable as at 31 December*
Trust funds									
Africa Development Bank	–	500	–	–	–	500	–	500	500
Algeria	–	139	–	–	–	139	–	139	–
Andorra and Monaco	129	–	–	–	–	129	128	1	–
Anesvad Foundation	477	–	–	–	–	477	204	273	–
Australia	5 712	3 724	(145)	(56)	–	9 235	3 947	5 288	1 355
Belgium	1 669	679	60	–	(24)	2 384	404	1 980	337
Belize	15	–	–	–	–	15	(6)	21	–
Bolivia (Plurinational State of)	26	31	–	–	–	57	26	31	–
Botswana	96	75	–	–	–	171	96	75	–
Boyner Holding and Group Companies	23	77	(3)	–	–	97	73	24	–
Brazil	576	680	(3)	(276)	(18)	959	81	878	541
Cameroon	1 164	–	–	–	–	1 164	569	595	–
Canada	16 806	16 722	(954)	–	–	32 574	8 304	24 270	18 640
Centro Latinoamericano Salud y Mujer (CELSAM) — Mexico	1	–	–	(1)	–	–	–	–	–
Common Humanitarian Fund International	187	(13)	–	(35)	–	139	139	–	–
Colombia	5 309	3 538	(143)	(338)	–	8 366	6 043	2 323	706
Concept Foundation	1 267	–	–	–	–	1 267	390	877	536
Côte d'Ivoire	22	–	–	–	–	22	20	2	–
Czech Republic	53	74	–	–	–	127	55	72	–
Denmark	6 267	2 766	(46)	–	(87)	8 900	4 573	4 327	766
Dominican Republic	65	–	–	–	–	65	62	3	–
Drosos Foundation	124	–	–	(124)	–	–	–	–	–
Egypt	69	–	–	(45)	–	24	–	24	–
ELMA Relief Foundation	71	–	–	–	(5)	66	66	–	–

Schedule B
Earmarked contributions — co-financing revenue, expenses and fund balances for the year ended 31 December 2013 (continued)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances as at 31 December*	*Contribution receivable as at 31 December*
Equatorial Guinea	202	–	–	–	–	202	59	143	–
European Community	20 601	14 610	37	(587)	51	34 712	19 381	15 331	–
Finland	3 618	–	–	(97)	(12)	3 509	3 398	111	–
Ford Foundation	399	450	–	–	–	849	428	421	–
France	8 788	6 300	–	–	–	15 088	7 269	7 819	–
Friends of UNFPA	1 359	–	–	–	–	1 359	495	864	680
Fundación Cadena Capriles	1	–	–	–	(1)	–	–	–	–
Gabon	134	–	6	–	–	140	97	43	–
Gates Foundation	820	7 998	–	(101)	–	8 717	900	7 817	–
Georgia	–	1 461	(17)	–	–	1 444	714	730	701
Germany	1 610	2 997	34	(84)	–	4 557	1 686	2 871	–
Guatemala	10	3 140	–	–	–	3 150	1 664	1 486	–
H&M Hennes & Mauritz	786	–	–	–	–	786	580	206	–
Hewlett Foundation	75	–	–	–	–	75	75	–	–
International Planned Parenthood Federation	77	50	–	–	–	127	76	51	50
Ireland	102	–	–	–	–	102	88	14	–
Italy	2 341	4 193	11	–	(2)	6 543	1 898	4 645	288
Jamaica	23	–	–	(23)	–	–	–	–	–
Japan	12 469	1 707	54	(119)	(1)	14 110	5 185	8 925	–
Joint Programme-UNFPA: administrative agent	16 602	48 817	–	(12)	–	65 407	25 762	39 645	–
Kazakhstan	2	–	–	–	–	2	–	2	–
KfW — Germany	10 390	–	78	–	–	10 468	4 020	6 448	–
Kuwait	–	5 000	–	–	–	5 000	2 740	2 260	–
La Fondation Bank of Africa	49	–	–	–	–	49	38	11	–
Lebanon	237	119	–	–	–	356	113	243	–

Schedule B

Earmarked contributions — co-financing revenue, expenses and fund balances for the year ended 31 December 2013 (continued)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances as at 31 December*	*Contribution receivable as at 31 December*
Liverpool School of Tropical Medicine	18	–	–	–	–	18	–	18	–
Luxembourg	7 456	678	140	(56)	–	8 218	2 757	5 461	4 476
Mexico	1 782	–	–	10	–	1 792	995	797	–
Morocco	79	–	–	–	(79)	–	–	–	–
MTN Foundation	–	250	5	–	–	255	–	255	94
Multi-donor	19 830	45 528	154	(472)	(11)	65 029	16 560	48 469	10 666
Netherlands	11 660	7 875	–	(20)	–	19 515	2 349	17 166	10 761
New Zealand	301	420	11	(116)	–	616	391	225	–
Nigeria	6 096	1 669	62	–	–	7 827	2 282	5 545	267
Noble Energy	117	(62)	–	(51)	(4)	–	–	–	–
Norway	602	2 506	12	15	–	3 135	1 482	1 653	490
Office for the Coordination of Humanitarian Affairs	6 361	15 636	–	(699)	–	21 298	12 143	9 155	1 936
Oman	160	645	–	–	–	805	27	778	645
Orange Foundation	4	–	–	–	(1)	3	4	(1)	–
Packard Foundation	1 835	–	–	–	–	1 835	664	1 171	800
Qatar	109	–	–	–	–	109	13	96	–
Republic of Korea	1 719	4 800	–	–	–	6 519	373	6 146	2 700
Romania	–	122	–	–	–	122	–	122	–
Sao Tome and Principe	1	–	–	–	–	1	–	1	–
Saudi Arabia	717	–	–	(11)	–	706	593	113	–
Secretariat of the Pacific Community	252	–	–	(21)	–	231	230	1	–
Sierra Leone	–	–	–	163	–	163	163	–	–
Small contributions	1 707	2 248	(1)	(7)	(3)	3 944	2 258	1 686	–
Sotici Foundation	46	–	–	–	–	46	–	46	–
Spain	5 496	212	20	(1 078)	(1)	4 649	3 224	1 425	–

Schedule B

Earmarked contributions — co-financing revenue, expenses and fund balances for the year ended 31 December 2013 (continued)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances as at 31 December*	*Contribution receivable as at 31 December*
Sweden	7 522	11 979	141	(124)	–	19 518	5 850	13 668	6 936
Switzerland	361	13 416	124	–	–	13 901	447	13 454	9 400
Syrian Arab Republic	1 527	–	–	–	(1)	1 526	968	558	–
Toros Agri Industry	–	74	–	–	–	74	74	–	–
TOTAL-Congo	176	–	–	–	–	176	72	104	–
Thematic Trust Fund — Multi-donor	259 197	175 867	3 355	–	–	438 419	173 629	264 790	161 428
Turkey	–	–	–	(282)	282	–	–	–	–
Ultimas Noticias	846	1 138	–	–	–	1 984	1 217	767	–
United Nations Office on Drugs and Crime	147	–	–	–	–	147	128	19	–
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	89	–	–	(3)	–	86	85	1	–
UNAIDS	1 890	21 542	–	(25)	–	23 407	12 263	11 144	10 540
United Nations Development Programme (UNDP)	1 019	6 274	–	(130)	–	7 163	5 172	1 991	–
UNDP — Multi-Partner Trust Fund	23 064	17 845	–	(1 376)	4	39 537	25 220	14 317	–
United Nations Fund for International Partnerships	95	–	–	–	–	95	51	44	5
United Nations Children's Fund	8 247	11 150	3	(40)	–	19 360	11 270	8 090	16
United Kingdom of Great Britain and Northern Ireland	62 082	22 364	290	11	–	84 747	30 715	54 032	28 314
United Nations Integrated Mission in Timor-Leste	21	–	–	–	–	21	–	21	–
United Nations Office for Project Services	38	–	–	(38)	–	–	–	–	–

Schedule B

Earmarked contributions — co-financing revenue, expenses and fund balances for the year ended 31 December 2013 (continued)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances as at 31 December*	*Contribution receivable as at 31 December*
United Nations System Chief Executives Board for Coordination	–	456	–	–	–	456	43	413	–
Uruguay	1 435	124	(19)	–	–	1 540	642	898	–
United States of America	3 642	6 918	2	(1)	–	10 561	4 169	6 392	5 528
Venezuela	3 084	258	–	–	–	3 342	2 004	1 338	–
Virgin Unite	27	–	–	–	–	27	27	–	–
World Health Organization	183	120	–	(126)	–	177	117	60	–
Zonta International Foundation	1 001	–	–	–	(1)	1 000	364	636	600
Subtotal, trust funds	**562 864**	**497 888**	**3 269**	**(6 378)**	**87**	**1 057 730**	**422 873**	**634 857**	**280 692**
Other trust funds									
United Nations Care Global Coordinator	1 046	987	35	–	–	2 068	948	1 120	–
Basic Terms Cooperation Oman	161	937	–	–	–	1 098	488	610	–
Global Contraceptive Community Programme	6 131	–	1 537	–	105	7 573	1 404	6 169	202
Population award	1 757	–	13	–	–	1 770	33	1 737	–
Rafael M. Salas Endowment Fund	1 072	–	8	–	–	1 080	–	1 080	–
European Union finance specialist post	160	–	–	–	–	160	–	160	–
Electronic protocols software application— Division of Human Resources — UNICEF memorandum of understanding	168	174	39	–	–	381	242	139	–
Finance branch — Donor Reporting Resource	1 819	–	705	–	–	2 524	215	2 309	–
Pooled Forex gains/losses for other resources	2 150	–	–	–	(95)	2 055	–	2 055	–

Schedule B

Earmarked contributions — co-financing revenue, expenses and fund balances for the year ended 31 December 2013 (continued)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances as at 31 December*	*Contribution receivable as at 31 December*
Contribution in kind — earmarked	–	313	–	–	–	313	123	190	–
Inventory/items in transit — other resources	4 524	–	–	–	–	4 524	(979)	5 503	–
Subtotal, other trust funds	**18 987**	**2 410**	**2 136**	**–**	**11**	**23 544**	**2 474**	**21 070**	**202**
Total	**581 851**	**500 298**	**5 405**	**(6 378)**	**99**	**1 081 275**	**425 347**	**655 927**	**280 894**

Notes:

Contributions and expenses as disclosed in this schedule include: "Indirect cost" charges, which in 2013 amounted to $27.3 million; and UNFPA contributions to joint programmes in which the organization is a managing agent, which in 2013 amounted to $0.2 million. With the exception of this schedule and note 24 (b), expenses and earmarked contributions are shown net of these amounts, which are presented as part of "unearmarked resources".

Contributions receivable as disclosed in note 6 comprise: co-financing ($280.9 million) and Junior Professional Officers programme ($1.3 million).

Undesignated earmarked fund balances disclosed on statement I comprise:

Earmarked undesignated fund balances	*31 December 2013*	*31 December 2012*
Co-financing	655 927	581 851
Junior Professional Officer programme	6 335	7 358
Procurement activities	13 715	11 121
Total	**675 977**	**600 330**

Schedule C
Procurement services for the year ended 31 December 2013

Third-party procurement

Third-party transactions represent commercial procurement activities between a buyer and a seller for supplies, equipment and services consistent with the aims and policies of UNFPA for which the organization acts as an agent for an agreed handling fee.

(Thousands of United States dollars)

	Fund balances as at 31 December 2012 reclassified as liability	*Receipts for procurement services*	*Other revenue and expenses*	*Transfers and adjustments*	*Refunds*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2013*
Institutions								
Governments	734	32 865	(9)	175	(33)	33 732	21 446	12 286
UNDP	(43)	2 258	–	–	–	2 216	2 177	39
Other United Nations agencies	(2)	101	–	–	–	99	7	92
Intergovernmental institutions	3 878	92	–	(132)	–	3 838	3 647	191
NGOs	94	2 190	–	–	–	2 284	1 382	902
Total	**4 661**	**37 507**	**(9)**	**43**	**(33)**	**42 169**	**28 659**	**13 510**

Access RH revolving fund

The Access RH revolving fund is a mechanism funded by donors to facilitate the build-up of essential stocks of reproductive health commodities at UNFPA-controlled warehouses. Its goal is to improve the supply chain for selected products by reducing lead times and costs by providing faster and easier access for beneficiaries and clients to high quality reproductive health commodities at competitive prices.

(Thousands of United States dollars)

	Fund balances as at 31 December 2012	*Transfers from other funds additional donor funds*	*Proceeds from sales (third-party procurement)*	*Total funds available*	*Expenses*	*Fund balance as at 31 December 2013*
Access RH stock	11 098	2 474	3 032	16 604	2 901	13 703

Procurement administrative services

(Thousands of United States dollars)

	Fund balances as at 31 December 2012	*Other revenue and expenses*	*Handling fees*	*Transfers and other adjustments*	*Total funds available*	*Expenses*	*Fund balances as at 31 December 2013*
Procurement services — administration	22		2 187	539	2 748	2 736	12

Schedule D
Unearmarked resources for the year ended 31 December 2013

(Thousands of United States dollars)

	Total	
Revenue	*2013*	*2012 (Restated)*
Contribution revenue	459 999	437 499
Less: transfers to other revenue for reimbursement of tax charges	(2 931)	(3 293)
Other revenue	38 568	42 977
Total revenue	**495 636**	**477 183**

	Programme Activities		*Institutional budget*		*Other*		*Total*	
Expenses	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*
Staff costs	108 728	102 956	109 414	103 756	323	(39)	218 465	206 673
Reproductive health and other programme-related goods	15 330	13 889	10	(130)	(1)	5	15 339	13 764
Development and training of counterparts	42 149	34 280	233	1	–	64	42 382	34 345
Supplies, materials and operating costs	65 382	61 907	22 615	22 950	2 545	791	90 542	85 648
Contracted and professional services	74 316	87 386	3 322	4 283	287	90	77 925	91 759
Finance costs	269	311	12	8	–	–	281	319
Travel	47 494	43 855	2 153	2 171	13	73	49 660	46 099
Depreciation and amortization	6 663	6 115	1 393	1 063	13	1	8 069	7 179
Impairment	4	–	–	–	–	–	4	–
Other expenses	4 742	4 568	(365)	49	212	(12)	4 589	4 605
Total expenses	**365 077**	**355 267**	**138 787**	**134 151**	**3 392**	**973**	**507 256**	**490 391**
Surplus for the year							**(11 620)**	**(13 208)**

Schedule E
Earmarked resources for the year ended 31 December 2013

(Thousands of United States dollars)

	Total	
Revenue	*2013*	*2012 (Restated)*
Contribution revenue	477 025	510 495
Less: refunds to donors	(6 378)	(7 371)
Other revenue	10 484	7 954
Total revenue	**481 131**	**511 078**

	Co-financing		*Junior Professional Officers*		*Procurement*		*Total*	
Expenses	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*
Staff costs	25 104	23 313	4 427	6 561	2 324	1 737	31 855	31 611
Reproductive health and other programme-related goods	148 751	117 678	–	–	64	(3 918)	148 815	113 760
Development and training of counterparts	48 100	35 114	1	794	–	–	48 101	35 908
Supplies, materials and operating costs	64 510	52 936	556	21	691	407	65 757	53 364
Contracted and professional services	74 008	71 715	–	22	72	156	74 080	71 893
Finance costs	423	177	–	–	–	–	423	177
Travel	35 558	32 745	28	–	10	6	35 596	32 751
Depreciation and amortization	493	545	–	–	10	19	503	564
Impairment	–	–	–	–	–	–	–	–
Other expenses	954	789	–	–	–	13	954	802
Total expenses	**397 901**	**335 012**	**5 012**	**7 398**	**3 171**	**(1 580)**	**406 084**	**340 830**
Surplus for the year							75 047	170 248

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